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NEWS SUMMARY

bs Ethiopia **Gilts react**
n drive sharply:
against Wall St.
Somalis up 10

GILTS reacted sharply to the clearing banks' figures, and an early rally was followed by a fall. The Government Securities Index closed unchanged at 74.05.

SOFTIES moved up five points in the first half-hour of trading and rises extended to 7.9 by 3 p.m. on a bear-covering. The FT Ordinary Index closed 5.8 up at 463.7.

STERLING fell 45 points to \$1.3345 in this trading and its trade-weighted index remained unchanged at 66.8. The dollar's depreciation narrowed to 4.49 per cent. (4.45).

GOLD fell \$1 to \$175.1.

ambia raid by
mith riddle

Reports in Lusaka spoke of the raid taking place in the Gwembe valley on the northern bank of the lake after a gradual build-up of nationalist forces in Zambia.

Mr. Joshua Nkomo's spokesman said that a 5,000-strong force had been sent to the area.

In Salisbury black and white Rhodesian leaders resumed from the IMF conditional negotiations, but failed to break a deadlock that has stalled carrying out a programme of air talks on majority rule for the next two weeks.

anges got at
fter arrival

mercury poisoned oranges and in Britain have been contaminated after arrival. The marketing Board of Israel and the National Federation of Fruit and Vegetable Traders said last night.

Italy move

he Italian Communist Party at night dropped its insistence on Cabinet posts in an emergency Government and said it was ready to join a Parliament majority supporting a new Government.

air fight

At least 22 people were killed when Lebanese troops clashed with Syrian forces in the Arab town of Tyne.

ongo executions

men who were condemned to death in connection with the assassination of President Maron were executed in Beirut.

riety

Alameda accompanied by his wife and two children, was shot and killed by a sniper in the city of San Francisco.

Santa Ana, California, jury awarded two families damages totaling \$128.5m. against the Ford Motor Company for an accident involving a Ford car which crashed in 1972, killing one of two occupants. Ford is expected to appeal.

Soviet police have detained four workers who said last month they were setting up an unofficial trade union to defend their rights.

Mr. Peter Godber, a former Hong Kong police chief, is being sued in the High Court by the Hong Kong Government for \$245,000 alleged to have been received in bribes.

National Hunt jockey Jonjo O'Neill needs one more winner to reach his century for the season. To-day's racing, Page 14.

Soccer: League Cup, first leg semi-final: Liverpool 2, Arsenal 1.

CHIEF PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISERS		FALLS	
Assoc. Dairies	222 + 8	Midland Bank "New"	114 + 8
Assoc. P. Cement	238 + 4	NatWest	268 + 6
BATs Dtd	238 + 4	Rank Org.	246 + 8
Bibby (J.)	238 + 4	Richards Wallington	87 + 7
Camellia Invs.	238 + 4	Royal Ins.	87 + 7
Dewhurst A.	238 + 4	Sandeman (Geo. G.)	170 + 7
Dowty	184 + 8	Salisbury (J.)	146 + 7
European Ferries	108 + 4	Smith (W. H.) A.	146 + 7
General Accident	218 + 6	Sun Alliance	146 + 7
GEC	277 + 7	Turner and Newall	211 + 7
GRN	187 + 6	Unitech	83 + 4
Ladbroke	187 + 6	Vaux Breweries	290 + 25
Man. Agency & Music	28 + 5	Yarrow	778 + 18
Metal Box	288 + 6	BP	225 + 15
		COFA	225 + 15

FALLS
Petro-Wellbend 485 - 38
Premium

New move in sanctions row angers industry

Government seeks 10% pay pledge in State contracts

BY RICHARD EVANS, LOBBY EDITOR

All future contracts between the Government and private companies will include a clause to ensure that the pay guideline of 10 per cent. is rigidly maintained, Mr. Roy Hattersley, Secretary for Prices and Consumer Affairs, announced in the Commons yesterday.

The controversial proposal, which will take effect almost immediately, drew furious protests from the Conservatives, immediate opposition from the Confederation of British Industry and anger from the Labour Left-wing.

But the Government comfortably survived by 292 votes to 278 a Conservative attempt in the Commons to underline the alleged misuse of discretionary powers by Ministers.

The victory gained despite about a dozen Left-wing abstentions, means that the Commons has in effect upheld the Government's policy of operating sanctions against industry without full statutory backing.

The new policy, which came as a surprise to MPs, means that the sanctions on industry to observe the voluntary 10 per cent. guideline will be considerably extended without the need for fresh legislation.

The clauses, requiring companies to implement pay controls, will apply both to fixed and variable price contracts and to future offers of Government assistance to industry.

It was confirmed in Whitehall last night that if companies agreed to a pay settlement above 10 per cent. after signing a contract containing the new clauses the penalty on a fixed price contract would be termination. In the case of a variable price contract the cost-plus element would be forfeited.

All companies involved in negotiating Government contracts in future will have to submit details of pay settlements entered into on or after the date of the contract.

Conservative leaders, having launched a Commons attack on the Government yesterday for its misuse of discretionary powers, immediately attacked Ministers for even more blatant abuse of powers. They accused the Government of "blackmailing companies" into accepting a voluntary policy that had no statutory backing.

The Government's response was that the proposal would end all ambiguity over the application of discretionary powers which were aimed primarily at reducing the rate of inflation. Clauses were already included in Government contracts to ensure the maintenance of the 12-month rule on pay settlements, and Ministers claimed the proposal was therefore not as revolutionary as the Opposition was suggesting.

Mr. Hattersley told MPs that the new clause would "considerably extend" the application of the Government's counter-inflation policy.

He proposed to add explicit clauses to all new Government contracts and the acceptance of these clauses will be necessary for the acceptance of the contracts. It will mean the contracting parties agree to observe pay guidelines set out in the current White Paper, he said.

Earlier Mr. Hattersley accepted the Conservative charge that the Government had used its powers to place contracts and to withhold discretionary financial assistance.

Continued on Back Page

Increased EEC pressure on Japan over trade

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

THE EUROPEAN Commission was instructed by EEC Council of Ministers to-day to make urgent new approaches to Japan in a further effort to persuade it to take effective action to bring about a rapid and sizeable reduction in its current account surplus.

The Commission has been given a set of "guidelines" for its talks with the Japanese. Although their contents are confidential, they are believed to urge additional steps to boost economic growth and to remove barriers to European exports.

To underline the urgency which the EEC attaches to the problem, the Commission has been asked to report on the progress made in the talks to heads of government of the nine Common Market countries when they meet in Copenhagen early in April.

In another move to emphasise the seriousness of the negotiations, the Foreign Ministers decided that they should be represented at the talks through the council's presidency, currently held by Denmark. This is the first time that the council has taken part in talks of this kind.

Meanwhile, it was disclosed that the Commission's attempts to negotiate an agreement with Japan which would limit the quantities and prices of the steel exported to the Community have run into difficulties.

Viscount Eustace Davignon, the Industry Commissioner, told the Council of Ministers that the Japanese were baulking at negotiations because they believed the EEC's temporary base price system was being applied unfairly.

The system is due to run until March 31, by which the EEC hopes to have reached bilateral agreements with its main steel suppliers.

But Japan has complained that some of its steel exports have been subject to so-called accelerated anti-dumping duties under the system, while such penalties have not been imposed on exports from EFTA countries.

The broad new negotiating mandate given to the Commission today is clearly intended to impress on the Japanese the wide-spread doubts in Europe that the economic and trade measures which it has announced will be adequate to produce the 7 per cent. real growth rate and accompanying cut in its trade surplus which it has promised.

Mr. Nobuhiko Ushiba, Japan's Minister of External Economic Affairs, was told this by Mr. Roy Jenkins, President of the EEC Commission, when the two met in Brussels about ten days ago.

But Mr. Ushiba is understood to have said that his Government did not plan any more expansionary measures and did not contemplate taking further actions on the trade front outside the GATT multilateral trade negotiations, now in progress in Geneva.

Dr. David Owen, the Foreign Secretary, suggested to-day that one way in which Japan could do more would be to shorten the period in which it has promised to double its foreign aid spending from five to two years.

Such a step would still bring Japan's aid budget only to 0.14 per cent. of its gross national product but could stimulate significantly the purchasing power of developing countries.

Dr. Owen emphasised it was not intended to bring about a confrontation with Japan. But the EEC must make its views on trade known to Japan independently of the talks going on between the Japanese and the Carter Administration.

Japanese shipbuilding Page 16

Cut tax with oil cash—Thatcher

BY DAVID FREUD

NORTH SEA oil revenue should be used to reduce personal taxation rather than be allocated by the State, Mrs. Margaret Thatcher, Conservative leader, said yesterday.

Speaking to overseas bankers in London she added that money could flow more efficiently to industry through the taxpayers' hands than through those of the Government.

The State inevitably would spend the proceeds incorrectly "on trying to preserve yesterday's jobs instead of using them to create the jobs of tomorrow."

Mrs. Thatcher's speech reinforces several similar pronouncements by Sir Geoffrey Howe, Shadow Chancellor.

It is timing means it is likely to be seen as an implicit attack on the creation of a special oil fund—an idea which has gained considerable support among Ministers and is being studied by the Treasury.

Mrs. Thatcher said that North Sea oil could be used to good purpose. "The extra tax revenues resulting for a period from our oil wealth will ease our path to a more balanced budget, leading in turn to all the blessings of low monetary expansion, low interest rates and hence to a strong pound and a lasting cure to the devastating inflationary tensions of recent years."

"They could do more. Coupled with determined restraint in State spending, this extra tax yield could enable us responsibly to reduce our personal tax rates at least to parity with those of our major international competitors."

While the taxpayer might spend some of the extra revenue on imports, as was often argued, he would also in part save them and reinvest them, directly or indirectly, in Britain's industries and services—not perhaps in the industries and services preferred for support by Government, precisely because their record means it is hard or impossible for them to attract funds from anyone else, but in the businesses which are geared up to cater for the markets of tomorrow.

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Control of money supply slips again

BY MICHAEL BLANDEN

THE GOVERNMENT'S control of the money supply has slipped again after a further sharp jump last month. This was indicated by the banking figures published yesterday.

The figure suggest the growth of the sterling money stock on the wider definition (M3) accelerated sharply. The signs are that in the first nine months of the financial year the increase has exceeded the top end of the official target range of 9-13 per cent.

The main pointer to the money supply is given by the Bank of England's statistics for the eligible liabilities of the banking system. These are their main deposit funds and an important constituent of the money stock.

to the U.K. private sector rose £576m. But the bulk of this was accounted for by the end-year debiting of interest and commission charges and the incidence of corporation tax.

Allowing for these and other seasonal factors, the banks suggest that the underlying rise was rather less than the levels of about £200m. seen in recent months.

Rebates

The banks saw an increase of £134m. in advances to overseas residents, reflecting the first stage of their agreed increase in the proportion of medium-term export credits being carried on their own books.

Sterling deposits from non-bank U.K. residents have been split for the first time between the public and the private sector. Public sector deposits rose £178m, partly reflecting the usual fluctuations in tax collection accounts.

Sterling deposits by the U.K. private sector increased £125m, when a substantial seasonal fall was expected. The banks say part of the underlying increase might have been due to the income-tax rebates which led to a smaller flow of funds to the Exchequer in late December.

One reason the flow of tax payments made less impact than usual on the banking figures was the abnormally high sales of certificates of tax deposit to companies two months ago—in effect an advance payment of tax.

Reserve

The banks again saw a net flow of money into their deposits from the interbank market and from a reduction in their holdings of Treasury bills. This was partly offset by an increase in loans to the discount market and to local authorities. There was a net increase of £68m. in holdings of ill-edged stock.

The reserve ratio of the five London parent banks rose from 15.5 per cent. to 15.8 per cent. Sterling advances by the Scottish clearing banks to the U.K. private sector rose £32m, and their sterling deposits from U.K. residents fell £9m.

Factors

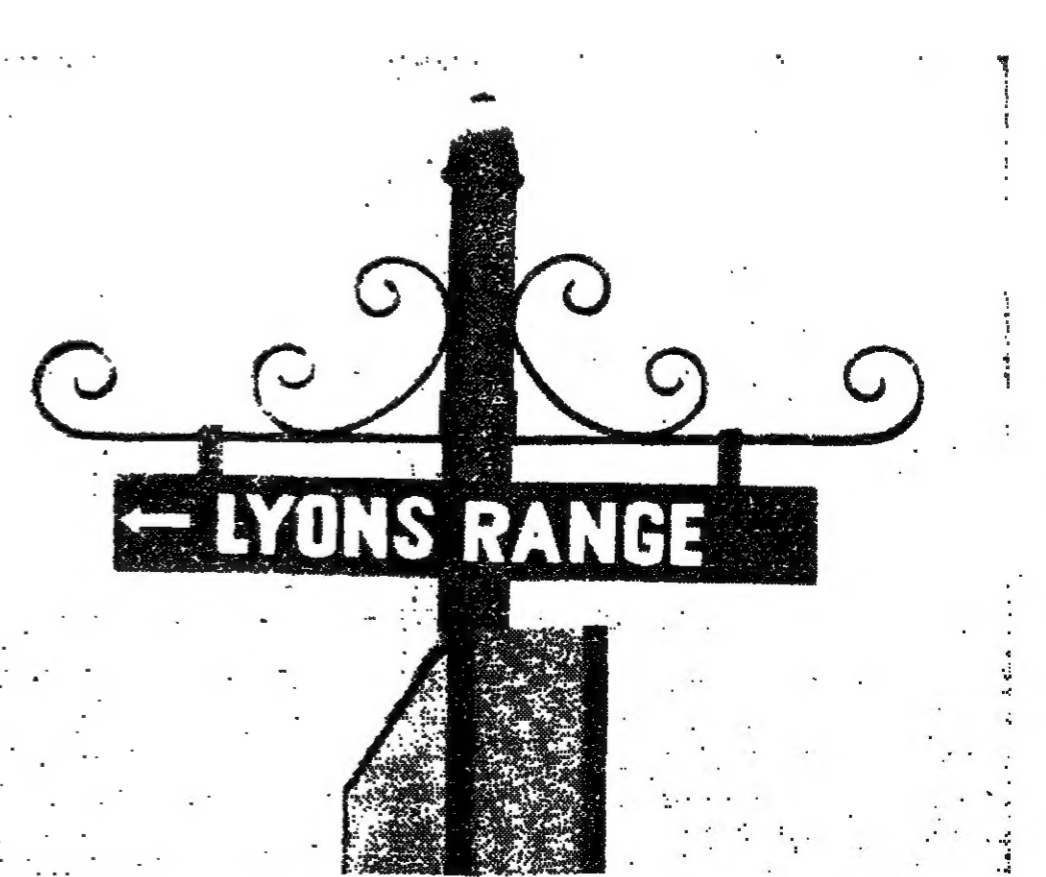
A number of factors could have contributed to the increase. These include the effect of the November tax rebates which may have boosted Government borrowing and possibly a building up of deposits among the banks, both because of fears of a re-introduction of control and because of anticipated rises in demand for loans in the tax-gathering season.

The figures published by the London clearing banks however, indicate that demand for borrowing was low. Sterling advances

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£ in New York

	February 7	Previous
1 month	\$1.3328-3330	\$1.3280-3330
3 months	0.05-0.06	0.05-0.06
6 months	0.14-0.16	0.12-0.17
12 months	0.12-0.13	0.08-0.10



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EUROPEAN NEWS

GISCARD-SCHMIDT SUMMIT ENDS

Deep concern at U.K. fish policy

BY ROBERT MAUTHNER

PARIS, Feb. 7.

FRANCE AND West Germany today agreed that they would do their utmost to "persuade" Britain to drop its opposition to a common European fisheries policy.

This was made clear after the two-day Franco-German summit meeting here at which President Giscard d'Estaing and Chancellor Helmut Schmidt expressed their "deep concern and regret" at the British Government's attitude in the fisheries negotiations in Brussels.

At the last meeting of Common Market Agriculture Ministers, Britain rejected the terms for a Community fisheries policy agreed by the other member states because they did not provide for "dominant preference zones," in which fishermen of coastal states would be given priority.

Spokesmen for the two

Governments emphasised that the directives for a Common Market fisheries policy had been Council meeting in July 1976. They called for the equitable treatment of the fishermen of all member countries in Community waters, and it was important that the fisheries policy should not be an exception to the basic solidarity of the member states.

Though the word "pressure" was not pronounced by either side—Herr Armin Gruenwald, the German spokesman, preferring the phrase "an effort of persuasion"—it is clear that France and West Germany will now make strong diplomatic representations to make Britain change its mind.

President Giscard and Herr Schmidt took no final decision at the summit on the joint construction of a new civil aircraft. But they agreed to press ahead as

rapidly as possible with studies for a smaller version of the successful European Airbus, the B10X.

President Giscard said at the end of the meeting that he hoped that a decision to go ahead with the building of this aircraft would be taken at the next Franco-German summit in Bonn in July. But he emphasised that the two Governments should adopt a "rational" approach to the subject, based on thorough market studies of airline requirements.

The two Governments would also pursue their studies of plans for the joint construction with Britain and other European partners of a new medium-range aircraft, which the French have dubbed the A300. It is still not clear whether Britain will agree to join this project, but both the French and German Governments are anxious to

assure its participation.

It was indicated today that if the U.K. decides to stay out of the project there is still a possibility that France and West Germany will go ahead with it alone or with other partners.

During their discussions of the problem of the Common Market's enlargement, President Giscard and Herr Schmidt agreed on the desirability of Greece's entry into the Community and on a time-table for the negotiations, subject to the approval of the member states.

They considered that the negotiations on Greece's membership should be concluded by the end of this year, but stressed that a satisfactory solution must be found for the problem of Greece's agricultural exports, which will be competing directly with the Mediterranean produce of present member states such as France and Italy.

Berlinguer ready to negotiate compromise

By Paul Betts

ROME, Feb. 7.

SIG. ENRICO Berlinguer, the Italian Communist Party leader, tonight indicated that his party was ready to negotiate a compromise to resolve the 27-day-old government crisis.

After a meeting with Sig. Giulio Andreotti, the Christian Democrat Prime Minister-designate, Sig. Berlinguer said his party was prepared to enter into an "emergency pact."

Although the Communists still believed that a government of national unity was necessary—meaning direct Communist participation in government—he acknowledged the opposition of the other political parties, especially the Christian Democrats.

Sig. Berlinguer added, however, that his party would insist on the establishment of a clear parliamentary majority, which would mean the association of the Communists in the government for one specific purpose other than the Communist Party's own agenda.

Following Sig. Berlinguer's overture, there is limited optimism that Sig. Andreotti, who later tonight was meeting representatives of the Socialist and Social Democrat parties, might now be able to form a new government.

However, the solution to the crisis still appears distant. While Sig. Andreotti has been given a wider mandate by his party for this latest and crucial round of negotiations, the Christian Democrats are still insisting, at least officially, on negotiating a common government programme but not a political accord.

This implies a rejection of the association of the Communists in parliamentary majority, which Sig. Berlinguer demanded to-night as second best to a government of national unity.

The key question is whether Sig. Andreotti can strike a deal with the Communists by somehow associating them to the parliamentary majority but in such a way that it would be acceptable to his own party. Should he fail, the most likely outcome is a fresh election.

Soviet navy no longer only defensive

By David Satter

MOSCOW, Feb. 7.

ADMIRAL SERGEI Gorshkov, the commander in chief of the Soviet navy, said today it had become a "long-range armed force." The greatest progress in the past 10 years had been made in developing submarines capable of performing complicated military and technical tasks in any ocean.

Writing in the Soviet armed forces newspaper, Red Star, he appeared to suggest that the navy's role had changed. "For the first time in the country's history, our navy has emerged in the eyes of the world as a strictly defensive force."

Admiral Gorshkov said that submarines have been made more effective through the introduction of nuclear engineering, missiles and other types of arms. He also said that Soviet surface ships, equipped with the latest arms, radio-electronic facilities, and flying machines of various types "can effectively combat enemy surface ships, submarines and aircraft."

A major component in the navy's strike force was the Soviet submarine, which "can hit submarines and surface ships and other highly manoeuvrable and small objectives on the high seas." He added that combat capabilities of the navy's surface ships have been increased.

Spain to receive \$295m. in credits from the IMF

BY ROBERT GRAHAM

MADRID, Feb. 7.

SPAIN TO-DAY announced that agreement had been reached with the International Monetary Fund (IMF) on a \$295m. one-year standby credit. Spain will also receive a \$120m. credit line from the Fund's compensatory finance facility.

The decision to seek the IMF credits was prompted by the Government's wish to take advantage of a favourable IMF analysis of the economy following a visit here by a special team, according to well-placed sources. As the time of the IMF mission's visit in November it was expected that credit was unlikely to be invoked before March or April. In advancing the date it seems that the Government wants to make the most of the IMF stamp of approval—especially as the recession in Spain has yet to show signs of bottoming out.

The \$175m. facility is part of Spain's \$475m. quota with the Fund. The Government has not yet earmarked the facility for any specific purpose other than to assist the overall restructuring of the economy. However, the

Germany prepares for Lent in style

By Guy Hartin in Frankfurt

YESTERDAY WAS Rosenmontag, the Monday before Lent, and those familiar with the church calendar will know: Today is Fastnacht, Shrove Tuesday, and the last day of gastronomic freedom before fasting and self-denial begins (or at any rate before fasting ends). In much of West Germany, but especially along the Rhine and in Bavaria, thousands of weeks are spent in the knowledge that their pouncing heads will be even worse tomorrow. Ash Wednesday, for Ash Wednesday is the last day of the Fastnacht season, the pre-Lenten carnival, a month-long bacchanalia which starts at 11.11 a.m. on November 11.

The Fastnacht period is virtually a constant round of masked balls, parties, carnival parades and less organised conviviality, punctuated with a slight change of direction, if not pace, to cover the celebration of Christmas and the New Year. It reaches its climax in the week before Ash Wednesday when employees' absenteeism runs high and queues in doctors' surgeries seeking time off work, either to recover from the effects of debauchery or in anticipation of them.

Rosenmontag is in most parts of the Federal Republic supposed to be a normal working day. However, in Frankfurt, business is at a standstill as workers, dressed in the grand Rosenmontag parade at Mainz, not far away, in small towns and villages throughout Hessen whole communities, led by the town elders, shut up shop and organised their own carnivals.

To-day, although it is only a half-day holiday, a large proportion of workers have not shown up at all. But the naive who expect services as usual in the shops and offices that are open for business will have been sadly disappointed. If the atmosphere seems distinctly jolly in the shops and supermarkets, the reason is being found in the large numbers of bottles of wine, meeting among the frozen peas and carrots in the refrigerated display cases.

Things will not be very different to-morrow, judging by the number of shops and restaurants that have been organised, and it will not be until Thursday that business gets back on an even keel.

Even so, employers have got off far more lightly this year than usual. Easter falls early and, to many of the celebrants, the carnival period has been greatly shortened.

Normally it runs into March. German industry, it would seem fair to think, is breathing a sigh of relief. The Federal Republic enjoys more public holidays than any European country other than Italy. There are 11 federal holidays, and many more at the state level, supplemented by a number of others that vary from state to state depending on local tradition and on whether the state is predominantly Catholic or Protestant. In a bad year, however, a majority of holidays falls on working days. An employer can face the prospect of losing his workforce for as many as 15 days a year.

Relief at this year's short Fastnacht season has by no means been universal. The benefit to industry, however, will not be particularly great, as demand is still at a low level and few sectors are working to full capacity.

The brewing, distilling, wine-growing and catering trades will be in the forefront of industries hit by decreased sales.

A short carnival period will not greatly help the retailing sector. Last year was anything but a vintage year for shops, however, and things do not seem to be much better in 1978. A short Fastnacht means lower sales of costumes, masks, streamers, nooties and all the rest of the carnival paraphernalia—admittedly, not usually high-value merchandise, but with a very attractive margin.

For traders in cities such as Mainz, Cologne and Munich, where the carnival is an especially popular festival, the shortened season is even more serious. These towns have famous and time-honoured Fastnacht traditions that draw in crowds of tourists from all over Germany. It is not only the hoteliers and restaurateurs who reap rich rewards from the carnival routes. Retailers do particularly well from the large numbers of free-spending revellers. This year, taking the carnival seriously, but not with the heavy-duty gusto of Munich responded to all this with typical Bavarian pragmatism. The Carnival Association, on which the city's traders are not without influence, decreed that this year's Fastnacht period would be extended by a fortnight.

Vital decision for Irish Cabinet on pay deadlock

BY GILES MERRITT

DUBLIN, Feb. 7.

THE IRISH Cabinet met today to consider the pay dispute, but the national wage agreement that threatens the economic strategy outlined last week in the 1978 budget.

With employers and union representatives deadlocked over the scale of pay awards, the Government's position has become critical. It must now be decided whether to proceed with a narrow course between permitting high wage increases that could arrest the annual growth rate of 7 per cent, and precipitating a trade union walk-out that could result in an inflationary wages free-for-all.

The Government's original 5 per cent guideline for this year's pay increase—the basis of its budget strategy—has already been exceeded by both employers and unions. When the wage negotiations broke up at the end of last week, the employers were insisting on 8 per cent, while the unions were demanding 12 per cent.

The Cabinet's position is expected to decide the future of

personally. Mr. Lynch was urged to intervene personally.

German chemical industry labour costs at high level

BY OUR OWN CORRESPONDENT

FRANKFURT, Feb. 7.

LABOUR COSTS in the West German chemical industry are now the highest in the world, according to a report by the German Chemical Industry Association (VCI) today.

At the beginning of 1978, however, U.S. direct per capita hourly pay average \$8.63 an hour and supplementary cost added a further 32 per cent to West German direct per capita hourly pay, at \$5.94. The working chemical industry's cost per capita hourly pay, at \$5.94, was lower than in the U.S., but supplementary costs add a further 74.6 per cent to the figure.

Behind the profound change in the industry's position is the rise in the value of the Deutschmark and the decline in the worth of the dollar. However, the rapid

increase in the supplementary costs—social security and fringe benefits—have also played an important role. According to the working circle, whose members are currently involved in a hard round of pay negotiations, supplementary costs added 62 per cent to the average direct hourly per capita pay of \$2.08. In the United States supplementary costs added 25.9 per cent to direct per capita hourly pay of \$3.94.

At the beginning of 1978, however, U.S. direct per capita hourly pay average \$8.63 an hour and supplementary cost added a further 32 per cent to West German direct per capita hourly pay, at \$5.94.

The working chemical industry's cost per capita hourly pay, at \$5.94, was lower than in the U.S., but supplementary costs add a further 74.6 per cent to the figure.

Czech growth falls behind target

BY PAUL LENDVAY

VIENNA, Feb. 7.

DESPITE A HIGHER than transport industries, said a comprehensive industrial output, the Czechoslovak economy has failed to meet its projected growth target. National by 5.7 per cent, and farm output was up by 4.5 per cent.

Compared to 1976 while the plan envisaged a growth rate of 5.2 per cent. The shortfall was primarily due to the poor performance of the building and

transport industries, said a comprehensive industrial output, the Czechoslovak economy has failed to meet its projected growth target. National by 5.7 per cent, and farm output was up by 4.5 per cent. Compared to 1976 while the plan envisaged a growth rate of 5.2 per cent. The shortfall was primarily due to the poor performance of the building and

Profit-taking helps franc to regain ground

BY DAVID CURRY

PARIS, Feb. 8.

THE FRENCH franc recovered ground today after what the Bank of France described as the first of its pre-electoral "mini crises."

It was helped by a firm declaration from President Valéry Giscard d'Estaing that all necessary technical measures would be taken to prevent its depreciation. Dealers, who expect tension surrounding the franc to last at least up to, and probably beyond, the general election in 33 days' time, said that profit-taking in a slack market also contributed to the better fortunes of the currency.

The fact that West Germany was on holiday today also made for slack trading.

True to form, the Bank of France pushed up the rate of the money market for the third day

in a row this morning. Day-to-day money went to 10 1/2 per cent, making the total increase since Friday 1.9 per cent.

The circular sent to banks by the authorities, reminding them of the rules governing repatriation of export earnings and forward purchase of foreign exchange to settle trade debts, also helped the situation slightly.

Medium-term repurchase agreements or pensions were still suspended today while day-to-day discounting was taking place at 10 1/2 per cent. The Bank of France said it was basically keeping bank liquidity under a tight rein.

Apparently there was no official intervention today. Over the past three days, intervention has probably been no more than about \$300m-\$350m, and could have been even lower. The Prime Minister, M. Raymond

Barre, has consistently ruled out committing foreign exchange reserves to the battle at this stage, the main purpose of intervention apparently being to iron out too sudden movements rather than to resist the overall market trend.

In today's trading, the franc firmed from 4.9350 to 4.9250 against the dollar, from 2.3480 to 2.3375 against the DM, from 2.52 to 2.5125 against the Swiss franc, and from 9.5625 to 9.5375 against sterling.

Until today's trading, the franc had lost, over three days, 4 per cent against the dollar, 4.5 per cent against the DM, 5.4 per cent against the Swiss franc and 3.25 per cent against sterling.

After yesterday's declaration by the Communist Party that it would press for immediate implementation of its national-

sation programme and the plans for enormous increases in wages and benefits, the political news today was rather less hair-raising for investors. In particular, the statement by the Socialist leader, M. Francois Mitterrand, ruling out a deal with the Communists between the two rounds of voting, comforted investors that the parties of the Left were not about to succumb to a manifestation of brotherly love.

Prices on the free gold market also moved back today. After yesterday's rise to an all-time peak of Frs.29,540, apparently caused by demand from small investors, the one kilo gold ingot dropped back to Frs.29,395, although the gold Napoleon coin eased up fractionally to Frs.300.

Gold-linked gilt-edged fell back while the stock exchange halted its three-day decline with a 2.7 per cent recovery in values.

Malta budget offers hope of surplus

Malta's Socialist Government announced a budget of 109m. Maltese pounds (£53.3m.) on Monday, Geoffrey Craine, reporter from Valetta. The greater part will be spent on recurrent expenditure. Another £31.8m. will finance new shipbuilding, agricultural and port schemes and expansion of internal and external telecommunications facilities.

With revenue due to climb to £110m. and another £113m. being brought forward from last year, a surplus approaching £34m. is expected by the end of the coming financial year. The island's GDP has risen by 8 per cent, to bring per capita income to £1,738 from £1,658 a year ago.

Axel Springer blocked

The West German Federal Cartel Office has prohibited the Axel Springer Verlag, West Germany's largest publisher of newspapers and periodicals, from taking a majority 50 per cent. investment in the Wochenblatt GmbH of Hamburg, the city's second largest paper in terms of advertising and revenue, writes Leslie Collett in Berlin.

Greek wages to rise

Minimum wages and salaries in Greece will be increased by 22 per cent this year, according to a decision by a court of arbitration, writes our Athens correspondent. Unions had asked for a 25 per cent. increase; industry had refused to give more than 15 per cent.

Magistrate kidnapped

Two masked men kidnapped a magistrate, M. Noel Daix, while he was shopping police said yesterday. Reuter reports from Lyons.

Austrian jobless up

Austrian unemployed rose from 75,136 to 91,513 in December and January, the Social Affairs Minister, Herr Gerhard Weissner, announced yesterday. AP-DJ reports from Vienna. The January figure was 4.76 per cent. higher than a year earlier.

Britain warns against blocking entry of new members to EEC

BY GUY DE JONGQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Feb. 7.

BRITAIN WARNED its EEC partners firmly today that it would oppose any efforts to sidetrack the applications of Portugal and Spain to join the Community, after Greece was admitted as a full member.

In what he described as "a warning shot across the bows," Dr. David Owen, the British Foreign Secretary, told his EEC colleagues here that Britain considered all three applications to be equally important. The Nine must face up to the prospect of belonging to an EEC of 12 members.

He spoke after the Foreign Ministers had agreed formally, for the first time, to make a determined effort to conclude by the end of this year the substantive negotiations with Greece on its application. But Dr. Owen resisted a French proposal to set a firm date for Greek entry. His opposition appeared to spring from concern that a commitment of this kind might provide a pre-

text for placing obstacles in the path of the Portuguese and Spanish applications. He left a definite impression that anxiety was growing inside the British

French objections yesterday prevented Common Market Foreign Ministers agreeing on tariff concessions to Cyprus, EEC officials told Reuter in Brussels. The main stumbling block was what terms should be offered for its potatoes which account for about half its farm exports to the EEC. Agreement has been reached, however, with the Faroes on 1978 fishing quotas and the islands' waters will be reopened to French and British trawlers.

Government that some of its EEC partners were looking for excuses to close the door to further applicants after Greece was admitted.

While all governments in the EEC have acknowledged the political importance of not rebuffing the Portuguese and Spanish requests, France and Italy have displayed undisguised disquiet about the practical problems of admitting two more relatively poor, Mediterranean countries with sizeable agricultural sectors.

Dr. Owen's strictures seemed to be aimed chiefly at these two EEC countries. He did not believe that the EEC Commission wanted to slow down the enlargement process. But he had learned with "consternation" that it did not expect to publish its formal opinion on the Spanish application, originally expected by the end of this year, until sometime in 1979. The EEC must avoid any loss of momentum in the enlargement process after the entry of Greece, he said. It must make clear that all three applicants were equally welcome.

Editorial comment, Page 16

Swedish payments gap 'lower'

BY WILLIAM DULLFORCE

STOCKHOLM, Feb. 7.

SWEDEN'S BALANCE of payments deficit over the last three years has been grossly exaggerated in official statistics, according to Mr. Sven Grassman, a leading economist and a member of the Independent Economic Research Council, which is partly financed by Swedish industry.

He claims that the true payments deficit for the 1974-76 period was less than half the official figure of SKr.21bn. (£2.3bn.). The preliminary official estimate of a further SKr.21bn. deficit in 1977 will also prove to be double the true figure, he believes.

Mr. Grassman argues that the official figures are based on inadequate attempts by the

customs, the Riksbank (Central Bank) currency department and the Central Statistical Bureau to keep track of millions of individual transactions. They end up with an "unexplained" currency inflow which totalled roughly SKr.10bn. for 1974-76.

The figures for the net foreign payments at the end of each year of the Riksbank, the clearing banks and all companies with more than 20 employees give a far more accurate picture, according to Mr. Grassman. He underlines the significance that a more accurate estimate could have for Government economic planning and his proposal has spurred the Economy Ministry into ordering the Central Statistical Bureau to explain the "unexplained" currency inflow.

Riksbank officials are prepared to accept his argument that the official figures exaggerate the deficit. Prime Minister Thorbjörn Fälldin yesterday defended Swedish weapon exports. They allowed Sweden to continue manufacturing its own weapons and maintaining a credible defence posture, he said.

Dagens Nyheter, the Stockholm daily, said on Sunday that Bantam anti-tank missiles made by Bofors had been sold to Argentina and Bofors anti-aircraft guns to Iran. It was suggested that these exports could conflict with the guidelines laid down by the Swedish Parliament in 1971.

Europe's leading private airline champions attack on Scandinavia's SAS

BY HILARY BARNES IN COPENHAGEN

DANES COULD travel to London for Kr.600 (about \$54) return on a skybus service proposed by Sterling Airways, Europe's biggest private airline. But the Danish Government has turned down an application from Sterling to start it in order to protect the joint Scandinavian national airline, Scandinavian Airlines Systems.

An SAS tourist class return to London from Copenhagen costs Kr.2,560 (about £230). As a scheduled airline it does, of course, operate under conditions very different from those of a successful charter only company. Sterling, a private Danish airline, has carried the fight for cheaper air travel to the EEC with a complaint to the European Commission alleging discrimination against private airlines.

Sterling's case is significant for several reasons. It is the first private airline to try to use Rome Treaty rules to uphold its rights against a national airline. It makes any progress there will be important implications for all other private airlines in Europe.

Sterling's case may force the EEC to make up its mind

whether it intends to operate a common air transport policy. This is the intention of the Commission, but attempts to move towards a common policy have bogged down for the time being in the opposition of mem-

The Danish Government, it adds, is a party to enforcing unreasonable prices on the travelling public. The complaint is only part of a concerted campaign by the airline for the liberalisation of Danish charter regulations. The other main points of the campaign are to get EEC rules of competition applied to air transport and to question the legality of state support and subsidies to SAS.

The company has also put in a flank attack on SAS by tendering for the concession to operate the tax-free shop at Kastrup, Copenhagen's international airport. Sterling claims to have made the most favourable tender, but the Government is apparently planning to reopen the tendering. Sterling has convinced that the Government wants to steer the concession to SAS.

The European Court of Justice ruled in 1974 that the general rules of the treaty do apply to air transport. The Commission, however, has consistently ruled out committing foreign exchange reserves to the battle at this stage, the main purpose of intervention apparently being to iron out too sudden movements rather than to resist the overall market trend.

In its complaint to the Commission's directorate for competition, Sterling wrote: "As Sterling Airways is able to carry out the planned skybus service as

a sound economic project, but is prevented by the SAS monopoly, it is hereby demonstrated that the SAS monopoly acts as an unreasonable restriction on competition in the EEC."

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sevenths of the shares in SAS, which is based in Stockholm. The Danish Government has not operated air transport policy so restrictively that charter companies have been unable to flourish. Besides Sterling, there are two other substantial private

airlines, Maersk Air, owned by the A. P. Moller shipping and industrial group, and Conair. But they have not been allowed to operate the so-called "inclusive tour" business on the same terms as SAS, which is allowed to operate inclusive tours without geographical restriction, to any city, as weekend trips, and in combination with freight transport. None of these terms applies to the private airlines.

SAS is subsidised in a number of ways. State guarantees from all three governments (totaling almost Kr.500m. in the five years to 1981) are available to facilitate

its purchasing and there are special tax concessions. What bothers the charter companies more than anything is that SAS has its own charter companies, Scanair and Transair, which fly in competition with the private companies. The latter claim that the charter companies receive special benefits by virtue of their connection with the state-subsidised SAS—an allegation which SAS does not accept.

The Sterling complaints have elicited a series of questions from the Commission to the Danish government and an implicit reprimand of the Government for failing to inform the commission of the state subsidy to SAS. The Danish answers to the first questions elicited a new series of questions. The Commission is still studying these.

The skybus complaint has kept the moving. The next move will be further consultations in Brussels in March between Sterling and the Commission.

Sterling's managing director, Mr. Anders Helgstrand, is also in touch with the commission in his capacity as chairman of the International Air Carriers Associ-

ation, "the voice of the charter airlines and their passengers," as it bills itself.

Sterling's lawyer, Mr. Rasmus Reeh, feels that political considerations will stop the Commission from agreeing to operate the charter companies receive special benefits by virtue of their connection with the state-subsidised SAS—an allegation which SAS does not accept.

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OVERSEAS NEWS

THE CONFLICT IN THE HORN OF AFRICA

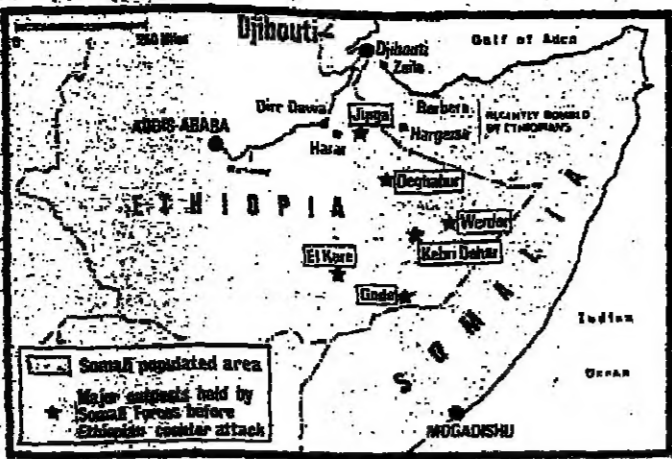
Cuban reinforcements for Ethiopia

BY OUR FOREIGN STAFF

WESTERN DIPLOMATS reported today that thousands of Cuban reinforcements were on their way to Ethiopia to bolster a massive counter-offensive against Somali-backed forces in the Ogaden region of Ethiopia.

At the same time, Ethiopian officials claimed military gains around the town of Harar and Somali forces admitted they had retreated from some positions in the Amhar mountains of Eastern Ethiopia after an Ethiopian air and artillery bombardment.

The Western diplomatic sources estimated that a further 3,000 to 6,000 Cuban military personnel were on their way and that the Russian troopship carrying them would soon dock at Assab on the Red Sea.



U.S. intelligence sources put the number of Cuban personnel already in Ethiopia at 3,000 with a further 1,500 Russians. Washington also says that Cuban pilots have been flying Soviet-made aircraft which have been shelling the Ethiopians.

Informed sources in the Somali capital of Mogadishu repeated their claim that the recent heavy shelling and bom-

bardment of Somali positions was a prelude to a long-awaited Ethiopian offensive into Somalia itself.

But Ethiopian officials were reluctant yesterday to call their new thrust a counter-offensive. "We have taken a concerted action. We are now moving to drive the Somalis out," said Mr. Baatu Girma, the acting information minister in Addis Ababa.

"The world is speculating that we want to go beyond our borders, but that is not true. All we want to do is drive the Somalis out of our territory. We have to settle this question once and for all," he said.

But Arab and Western diplomats remain divided on whether or not the Russians would allow the Ethiopians to cross the border into Somalia with a drive

to the Port of Berbera which would slice the country in two. Somalia claims that the aim is to annex parts of north Somalia to establish a zone at the mouth of the Red Sea which would be under the control of Ethiopia's Marxist rulers.

The Organisation of African Unity (OAU) has launched a peace initiative in the Horn with the arrival of Mr. Joseph Garba, the Nigerian Foreign Minister, in Mogadishu after conferring with Ethiopia.

Brigadier Garba said Ethiopia had "put some tough proposals on the table" and he indicated that a Somali withdrawal from the Ogaden would be a precondition for talks.

The crucial area in future fighting will be the rugged, dry Amhar mountains which run from east to west and form a northern barrier to the flat Ogaden.

It was the Somalis' failure to capture strategic mountain towns such as Harar and Dire Dawa in their offensive last year which left them vulnerable to counter-attack.

Military analysts predict a two-pronged Ethiopian offensive with one column heading north-east from Dire Dawa along the railway line to Djibouti, then turning south to outflank the Somalis. The other offensive would push east from Harar through Jijiga to the Somali frontier.

In Rome today, an Ethiopian spokesman said the Soviet Union and Cuba had sent only about 100 military advisers and doctors to help the Government and had not given more than \$1m. worth of military aid.

Major Girma Neway, chairman of the Ethiopian Revolution Information Centre, told a news conference: "We only get medical and technical assistance."

He added: "We have reliable information that Egypt, Saudi Arabia and Iran are airlifting last year and is thought to be close to Moscow for practical, as well as ideological, reasons."

Marcos outlines plans for election

By Our Own Correspondent

MANILA, Feb. 7. PRESIDENT Ferdinand Marcos today signed a new election code to govern the coming Philippine national elections, which he moved back by five days to April 7 to give candidates more time to prepare.

The elections are for 166 seats of a 200-member interim national assembly, which Mr. Marcos says he is organising to bring the Philippines back to political normality after more than five years of his one-man rule under martial law. Twenty seats are to be filled by appointments from Mr. Marcos's Cabinet, while elections in the youth, agriculture and labour sectors will determine the remaining 14.

Mr. Marcos has repeated an earlier decree banning persons facing subversion and other charges from running in the elections. This, in effect, would allow imprisoned opposition leader, former senator Benigno Aquino, to seek election.

Kashmir talks

By K. K. Sharma

NEW DELHI, Feb. 7. PAKISTAN'S continuing demand for self-determination for the people of Kashmir is likely to be the main subject for discussion when General Zia-ul-Haq, Pakistan's ruler and chief martial law administrator, visits Delhi soon for talks with Mr. Morarji Deasai, the Indian Prime Minister.

The intractable Kashmir issue has come to the fore during the visit to Islamabad of Mr. Atal Behari Vajpayee, the Indian Foreign Minister. This is the first visit by an Indian minister to Pakistan in 11 years. India's position is that Kashmir is an inalienable part of the country, while Pakistan has demanded a plebiscite to settle its future. The two countries have been at war three times over the issue since independence.

China 'seeks to buy Australian uranium'

BY COLINA MacDOUGALL

CHINA will send a high level mission to Australia within the next few months to discuss purchases of uranium, government officials said in Canberra yesterday. A team from Peking is due in Sydney within the next few months for talks with Mr. Doug Anthony, the deputy prime minister, who also holds the trade and resources portfolio, according to Reuters.

The Chinese are expected to discuss trade generally, but the mission will include several nuclear experts. It will be the first time China has had official talks with Australia on the supply of uranium, though the subject was mentioned in general when the Prime Minister and other ministers visited Peking over the last two years.

The Australians will find it difficult to sell uranium to China without strong guarantees that it is strictly for peaceful purposes since they are signatories to the nuclear non-proliferation treaty. Furthermore there might be strong Australian opposition in view of the risks inherent in the use of nuclear fuels even for power generation.

The Chinese are apparently seeking uranium from other countries and had talks with Canada last week. In view of Peking's huge purchases of wheat from Australia, Canberra may find itself under some pressure to fall in with Chinese requests since the balance of trade is very much in its favour.

Canada is in a very similar situation, and it is not beyond the Chinese to exploit the competition to sell grain.

The Chinese are not known hitherto to have imported uranium, though in the early 1970s Gabon apparently offered to sell them some. The U.S. Bureau of Mines, in a 1975 report, affirmed that domestic Chinese sources were at that time more than adequate, but with Peking's current ambitious plans for economic development it may no longer be enough. Electric power was publicly picked out on several occasions last year by official Chinese sources as unreliable and insufficient.

Discussions with visiting foreign teams on nuclear powered generation do not seem so far to have reached fruition, and the extent of Chinese research on the subject is not known. Up till now, the U.S. Bureau of Mines believes, China's own resources of uranium have been more than enough. Uranium ore has been extracted from Chuanmin in Kiangsi province and Weiyuan in Kwangtung. It reports, and it has also been recorded as occurring in Sinkiang, Manchuria, Inner Mongolia, Chinghai and southwest China.

Early this month a leading Chinese scientist said that China was studying the nuclear generation of power, and the question appears to have been discussed recently with both French and West German industrialists.

The recent high-level French delegation included the chairman of Alsthom-Atlantique which is hoping to sell a coal-fired power station to the Chinese and the general manager of Creusot-Loire which hopes to sell them a nuclear power station.

What information there has been until now appears to have come from the Czechs, who at one time assisted the Chinese in processing uranium. As far as military uses are concerned, Prague radio said several years ago that the Chinese were using lithium-7, a cheap and easily obtainable mineral obtainable in Sinkiang and the Upper Altai, as a thermonuclear fuel. The Czechs at that time believed that Chinese nuclear research was up to world levels. Since then, the Chinese have exploded their 21st nuclear device (in November 1976), at four megatons the biggest so far.

Carter talks, Page 4

Lebanese recruits in clash with Arab troops

By Ihsan Hijazi

BEIRUT, Feb. 7. SYRIAN TROOPS of the Arab peace-keeping force clashed today with Lebanese soldiers stationed at the military academy on the main Beirut-Damascus highway. Initial reports put the number of casualties at two killed and three wounded.

Syrian soldiers backed by armoured personnel carriers sealed off Fayadiah, a suburb east of here where the academy is located, and the highway was closed to traffic during the four-hour shoot-out.

This was the first clash of its kind since 30,000 Syrian troops came here 15 months ago to maintain law and order at the end of two years of civil war. During the last months of the war, Syrian regulars backed Right-wing Christian militiamen who were battling Palestinian guerrillas and their Lebanese, Moslem and Left-wing allies. The military academy, which is not far from the Ministry of Defence and Presidential palace, was in the hands of Right-wing factions in the Lebanese army, which broke up and disbanded during the strife.

A communiqué from the command of the Arab force blamed the clash on unruly elements among new Lebanese army recruits. It said the shooting followed a personal argument between the recruits and Arab forces at a roadblock. Eyewitnesses said the recruits ran into the academy for protection and support after shots were fired during the argument.

The Lebanese army command has engaged in recruiting to boost the ranks of the new army. A core of about 4,000 men has already been established.

Rejectionist backing for Addis

BY MICHAEL TINGAY

CAIRO, Feb. 7.

SOMALI SOURCES argue that the Soviet Union's invasion force to gain by an invasion of Somali territory, "particularly since Somalia is virtually friendless."

It has become apparent in recent weeks that those Arab States opposed to President Siad Barre's policy of peace relations with Israel are leaning towards the Soviet/Ethiopian side in the conflict in the Horn.

"Moscow is using the current inability of Arab States to act together to speed up a process which will destroy the Arab world as a strategic entity," the sources said.

Analysis from Mogadishu predicted that the invasion force would take over the triangle marked by Harar, Berbera and Zeila which contains almost two million people. The Soviet Union would then maintain that this was an Ethiopian matter and relate the matter between Mogadishu and Addis Ababa.

The sources said "They will use the occupation of the north in the name of Ethiopia as a means of imposing a federal solution like that proposed last year when Fidel Castro and Mr. Nikolai Podgorny visited the area."

President Siad Barre's position, if the predicted invasion takes place, would be untenable. Already under serious internal pressure, the Somali leader has been hopping from army camp to army camp for weeks in fear of assassination attempts.

Major Girma Neway, chairman of the Ethiopian Revolution Information Centre, told a news conference: "We only get medical and technical assistance."

He added: "We have reliable information that Egypt, Saudi Arabia and Iran are airlifting last year and is thought to be close to Moscow for practical, as well as ideological, reasons."

NAMIBIA'S SEARCH FOR INDEPENDENCE

The West races against time for a formula

BY QUENTIN PEELE IN WINDHOEK AND MARTIN DICKSON IN LONDON

THE PROSPECT of imminent independence has largely passed by the town of Windhoek, capital of the disputed territory of Namibia (South West Africa). The country's three European languages—Afrikaans, German and English—predominate in the shops, offices and hotels of the town. Itself a curious mixture of German colonial and modern South African styles, the languages of the indigenous peoples are still confined to the kitchens and backstreets. A future ruled by a black majority government seems light years away.

Yet Namibia is heading towards independence. The vital question yet to be answered is what form this will take. In an attempt to head off a unilateral solution imposed by Pretoria, the Western members of the UN Security Council have been trying since last April to work out an internationally acceptable settlement with South Africa and Swapo, the Namibian nationalist organisation.



These efforts will reach a climax this week-end when the Foreign Ministers of the five countries held separate "proximity" talks in New York with Mr. P. W. Botha, their South African counterpart. Having failed to break the deadlock between the two, the West is tabling its own compromise settlement proposals. Time is not on the side of the Western initiative. South Africa has hinted that it may go ahead unilaterally if there is no progress soon. "With Pretoria and Swapo still far apart, there are growing fears the initiative may be close to collapse."

In Windhoek, there is a widespread belief among whites that a radical black movement like Swapo will not be taking over control of the territory, with its rich reserves of uranium and diamonds.

In the thickly carpeted lobby of the town's premier hotel, some 100 Swapo followers stage a rowdy demonstration. The benefit of Western diplomats involved in the five-power initiative. Waving placards demanding the total withdrawal of South Africa, singing liberation songs, they have their say—barely disturbing the visiting tourists from West Germany and South African businessmen drinking coffee in the lounge.

The few uncommitted observers in Windhoek are extremely sceptical about future of the Western initiative. So far the South Africa has made most of the concessions, a fact largely dictated by the nature of the exercise, for it is Pretoria, not Swapo, whose control of the territory is internationally unacceptable. South Africa has abandoned its plans for an interim Government based on a constitution drawn up by the South African sponsored Turnhalle conference—a constitution which reinforced Namibia's division into ethnic groups.

South African negotiators declare that since they promised in 1975 to grant Namibia independence by December 31 this

year, elections for a constituent assembly must take place by mid-year. If the independence date is allowed to slip, they say, Pretoria's credibility may suffer. So too would the credibility of the conservative alliance of tribal, ethnic and moderate whites which emerged from the Turnhalle talks. Mr. Vorster would undoubtedly like this group, calling itself the Democratic Turnhalle Alliance (DTA), to win. The DTA itself argues that to do so it must be able to show that the original independence date is intransigent.

But there may be an element of bluff about this. Asked what is more important, a fixed independence date or international recognition, one senior South African negotiator says the more important thing is the creation of a viable, stable state with the support of the majority of the people.

One school of thought argues that South Africa has been cynical about the Western initiative from the start, going along with it but assuming that Swapo will never accept Pretoria's minimum conditions. The tactic would be to demonstrate Swapo's "unreasonable" demands in the hope that Pretoria could avoid blame for any breakdown in negotiations—and could then try to persuade the West to back its "internal" solution.

For its part, Swapo has been openly and consistently dubious about the initiative. Mr. Sam Nujoma, the movement's president, has described it as an attempt to "bait out" the South Africans. The nationalists' scepticism is reflected in their "negotiations" with the five, described by one senior diplomat as "desultory."

Some people believe Swapo is playing into the South Africans' hands; and while there is no division within Swapo on the ultimate aim of a complete transfer of power, its move over its attitude to the negotiations themselves. There are those in Swapo who recognise that South Africa may be winning propaganda points, and they are unhappy about it, though this is not a view shared by Mr. Nujoma.

Nevertheless, Swapo's deep distrust of the South Africans is

understandable. The movement believes Pretoria has no real intention of handing over power and cites recent incidents in the north, Namibian Ovambo "homeland"—the heartland of Swapo's support and the main area for its sporadic guerrilla attacks—as justification.

Despite South Africa's relaxation of emergency laws in the north, Swapo's deputy chairman and other officials were picked up by the police in December and detained for a week-end. Shortly afterwards, police, aided by local tribal soldiers, broke up an apparently peaceful Swapo meeting in Ovambo land with teargas after Turnhalle supporters had tried to disrupt the meeting, according to Swapo. A similar incident took place last week-end in the remote Caprivi Strip.

There is also continuing South African military investment in the territory, including the recent purchase of some 40 houses in the capital, Windhoek, and the allocation of a large tract of land on its outskirts for a new army headquarters.

Against this background, the troops issue will be hard to overcome. South Africa has apparently agreed to withdraw all but about 2,000 of the 20,000-50,000 troops stationed in Namibia. But they want some to remain operational along the northern border with Angola, from which country Swapo mounts its raids. Pretoria does not want UN forces to have an operational, but merely an observer role.

Swapo is sticking to the letter of UN resolution 385, which demands the total withdrawal of the South African military before elections, to be held under UN supervision and control.

The West is trying to bridge this gap by suggesting that South Africa keep about 1,500 troops as a symbolic presence, probably confined to barracks in the North.

Even if this obstacle is overcome, however, there is still to tackle the relationship between the head of the UN force and South Africa's Administrator General has to be defined in a way that will get Security Council backing, and so far the South Africans are not prepared to accept a wording which speaks of UN "control."

Another hurdle could prove to be the status of Walvis Bay, annexed by Britain in 1884 and then Cape Colony. Swapo wants South Africa to hand the enclave over to Namibia but Pretoria has threatened to break off talks with the five powers if the status of Walvis Bay is disputed. The enclave is the only natural deep water port between Angola and South Africa, so while Pretoria argues that it is essential for defence purposes, Swapo says that it is vital for Namibia's economic independence.

But the nationalists may not press this point in talks with the West. If South Africa were to go ahead alone with elections the territory would face a dilemma. Already the leaders of Namibia's influential churches, who have little sympathy for the Turnhalle alliance, are mooting the formation of some sort of broad front to oppose it, enjoying at least tacit Swapo support. Whether such a front would receive the backing of the more militant external Swapo leadership is doubtful.

As far as the Western initiative is concerned, there is clearly a danger that it will degenerate into little more than an exercise in diplomatic face-saving, with both the principal protagonists blaming the other for failure.

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AMERICAN NEWS

Snow storms bring chaos to North-East

BY JOHN WYLES

THE WORST SNOW storms since 1947 have brought widespread chaos to the U.S. North-East, disrupting air and road communications and halting a broad range of commercial activities.

Drifting snow whipped up by gale-force winds has closed major motorways in the states of Connecticut and Massachusetts while many others which have been kept open in New York and New Jersey are inaccessible because of stranded cars blocking service roads.

Kennedy, La Guardia and Newark airports were closed this afternoon and did not expect to be reopened at least until tomorrow morning.

Snow was still falling in New York this morning, more than 30 hours after the storm first struck. About 18 inches has so far collected in the New York area, while Boston, which suffered power failures earlier today, was expected to be deluged under 24 inches before the storm passes.

This latest inundation came only 16 days after the North-

East had suffered a 12-inch fall which had revealed a lack of preparedness in many areas. New York City had little more than half of its snow ploughs available because of mechanical breakdowns, but during the last 24 hours the city's Sanitation Department has performed much more creditably and kept the main avenues passable, if only just, for buses and cars.

However, the city was ghostly quiet today because thousands of office and shop

workers either elected or had been told to stay at home. Most banks were closed, and although the stock exchanges opened this morning trading was light and brokerage firms were already counting the cost of the weather in lost commissions.

According to latest forecasts the snow was expected to have passed over the New York area by early afternoon. However, temperatures will below freezing are predicted at least until Saturday.

Canadian economy may miss targets

By Victor Mackie

OTTAWA, Feb. 7.

THE CANADIAN Government's goals for the economy over the next four to five years may fall short because of poor performance in 1977, according to a confidential Government report. The report was issued today to reporters by Mr. Ed Broadbent, leader of the opposition New Democratic Party.

It sets out proposed targets for real economic growth, inflation and unemployment for the years to 1982. The paper will be presented to provincial premiers at a three-day economic summit meeting in Ottawa next week. The paper has already been used behind closed doors at the current round of federal provincial meetings on the economy.

He said the document proved that the premier's summit conference was called by the Prime Minister as an electoral springboard.

The 103-page paper sets out targets for the economy but then adds that it will be a challenge to achieve even the average projected growth rate of 5.5 per cent this year. The paper notes that most forecasts now see real growth in the economy in 1977 at between 4 and 5 per cent. In addition it expects a rise in the rate of unemployment. Seasonally adjusted unemployment fell by 0.2 per cent to 5.3 per cent in January, however.

General Motors record profit; Dutch buy Dillard Stores; American Cyanamid upturn and other American Company News

Tentative agreement leaves coal strike end in doubt

BY STEWART FLEMING

NEW YORK, Feb. 7.

THE BARGAINING Council of the United Mineworkers' Union (UMW) was meeting this morning to examine a tentative agreement which could end the 64-day U.S. coal strike, the longest in the 88 years of the union's history.

The agreement between the negotiating teams of the UMW and the Bituminous Coal Operators' Association was announced late yesterday. There is, however, considerable uncertainty about whether the tentative agreement will lead to an early return to work by the 160,000 UMW members.

Only broad outlines of the pact have been released and these provide, among other things, for an increase in average pay, over the three-year life of the contract, of \$2.35 an hour, and for total benefits, including wages, to increase by 37 per cent.

The 38-member council, comprising the executive Board and district presidents of the union, has to approve the settlement before it can be put to the miners for a vote. But at its meeting this morning, the council will be presented with only a summary of the agreement because the full text has yet to be agreed.

Full observers are expecting the council to agree to the final wording without having seen it. Even when the full text is ready for the bargaining council, in the next day or two, its reaction will be unpredictable.

Mr. Arnold Miller, the UMW president, may not command enough support, after bitter union feuds in the past year, to carry some of the more unpalatable proposals in the pact past some internal opposition. Even some coal management sources

are predicting that further negotiations will be needed before the union and management before the council approves the proposed settlement.

It would then be up to the men to vote on the agreement. This would probably be a protracted process. Even if it were to go smoothly, it would take at least ten days for miners around the country to vote. It is already clear, however, from their reaction to leaks of the tentative agreement, that there are elements in the package which many miners will find hard to stomach, even after 64 days without wages.

Welfare funds

One of these is the proposal for trying to reduce the number of unofficial strikes — the greatest for any industry in the U.S. The proposed agreement provides that miners who go on unofficial strikes must make up to the union and welfare funds the revenues which they have lost. Miners are already expressing anger about this plan to penalise them for unofficial strikes, many of which, they claim, are deliberately provoked by management.

Moreover, it is not clear how the penalty system will work. This is because the health and retirement funds in the industry are to be closed down. When they were established 30 years ago, they were a landmark in U.S. wage bargaining. They provided miners with a scale of benefits which still does not exist in many other industries.

Now, instead of a welfare pool for the industry, each coal company would, if the agreement is accepted, have to focus on the union.

secured, provide its own health scheme to a guaranteed level of benefits.

The welfare funds have been a symbol of the strength of the union, and abolition of them would be bitterly opposed by the members, especially if, as seems likely, the minimum benefits scale is to be less generous than the previous system, under which the miners did not have to pay for hospital care.

For all these reasons, the outlook for an early return to work by the miners is still uncertain. On the other hand, each day of continued strike that passes increases the threat to U.S. power supplies.

So far, no widespread disruptions have occurred in electricity supplies, although the combination of bad weather and the strike has led to spot electricity shortages, particularly in some Mid-West States. One reason why the nation has been able to cope with the strike so far is that coal accounts for only about 20 per cent of U.S. energy supplies. Another is that, of the 650m. tons of coal produced each year, only half comes from pits organised by the UMW. Non-union mines have continued to operate.

When the strike began, official forecasts suggested that it would take a stoppage of between 90 to 120 days before widespread power dislocations began. The strike is now 64 days old, with a settlement only just coming into sight and concern is mounting.

Now, however, the coal companies can say that they, at least, have met their responsibilities. Political and public pressure for a settlement will focus on the union.

Gas price initiative raises hopes for Energy Bill

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Feb. 7.

THERE NOW seems to be a strong chance of resolution of one of the two big sticking points which have left the Energy Bill stalled in Congress.

Until now, the Senators on the joint congressional conference committee on energy have been evenly and bitterly divided (nine against nine) on the issue. But both sides — one purporting to represent consumers, and under the leadership of Sen. Henry Jackson of Washington, the other a coalition of Conservative Republicans and oil state senators under Sen. Bennett Johnston of Louisiana — have come up with new proposals which seem to form the basis for compromise.

Sen. Jackson, a vigorous advocate of keeping federal price controls, has reportedly offered the following formula — raising the price of newly-discovered natural gas from the present \$1.48 per 1,000 cubic feet with annual rises to take account of inflation until 1984 when controls on the price of newly-discovered gas would be ended.

The re-instatement of controls would be allowed if price rises got out of hand. The gas producers, which had hitherto pressed strongly for deregulation are now pressing for a rather higher initial price — \$1.80 per 1,000 cubic feet — and an end of controls at the start of 1983 (rather than at the end of 1984), with more generous allowances for inflation. But the gap between the two parties appears bridgeable.

The Carter administration originally proposed an initial price of \$1.75, plus the indefinite retention of controls and their extension to the currently unregulated gas which is produced and consumed in its state of origin. However, it appears

likely that the White House will accept a compromise version along the lines now being projected.

If agreed to, and if accepted by the House of Representatives, this would mean that the conference would be left with one main element of the energy package outstanding — the well-head tax on crude oil designed to bring the domestic price up to the levels in the rest of the world.

There is, however, little sign that this thorny problem can be easily resolved. Sen. Russell Long, a tax expert whose close ties to the oil industry have been well documented, is not hailing the compromise. He says that any compromise can be reached only if the proceeds of the well-head tax should be returned to consumers, whereas Sen. Long wants at least a good proportion earmarked for the industry so as to encourage exploration and production.

With higher social security taxes taking their toll on consumers, the administration is aware of the difficulty Congress will have especially in an election year, of approving further increases in domestic energy prices or higher taxation.

Whatever emerges from the conference committee has to be submitted to both houses of Congress for approval. The House of Representatives passed its version of the energy bill by a relatively slim margin last summer, and the conference process drags on and the more unsatisfactory the final product, the greater will be the chance of the House reversing itself, especially as the primary election season approaches.

get for the Panama Canal treaty and on any strategic arms treaty, if and when agreement is reached on arms reduction. Many members on the Senate, particularly those on the Right, link these issues with Taiwan. They fear that President Carter may be preparing to sell out the anti-Communist government there.

Their feelings are summed up in a bumper sticker to be seen on cars in the Washington area. It reads, "Today Panama. Tomorrow Taiwan." The Administration wants Panama and strategic arms out of the way before it turns to China.

Mr. Woodcock, the former head of the United Auto Workers Union, is said to have had a great success in China and to have met many Chinese officials who had not been previously introduced to Americans. He was appointed by Mr. Carter, whom he supported early in his presidential election campaign.

But the Administration has its own reasons for not wanting to raise the Peking issue now. It needs all the support that it can

WORLD TRADE NEWS

Australia in GATT agreement

By Kenneth Randall

CANBERRA, Feb. 7.

AUSTRALIA and the U.S. have agreed to work "closely together" in the GATT multilateral trade negotiations in Geneva. The two main areas singled out for co-operation are liberalisation of agriculture and the need for effective controls on the export of subsidised products to traditional markets.

These have become the main issues in Australia's year-long argument with the EEC over access to Europe and alleged European "dumping" of commodities in third countries to which Australia had previously been a supplier.

The Australia-U.S. agreement on co-operation emerged from a meeting in Canberra today between Mr. Fraser and one of President Carter's deputy special trade representatives Ambassador Alan Wolff. In a formal joint communiqué afterwards, the two men said that in considering agricultural trade on a global basis they had discussed beef and wheat in particular.

They had established a number of areas of common view and agreed that unless there was liberalisation of trade in agricultural products, parallel with that for manufactured goods, "there would be no balance in any negotiations in terms of the totality of world trade."

The statement said: "In this regard, both sides stressed that the Geneva negotiations could not be concluded successfully without substantial progress being made in agricultural trade liberalisation, including agreed disciplines over the use of export subsidies and other trade-distorting measures."

U.K.-Japan motor talks

By Charles Smith

TOKYO, Feb. 7.

REPRESENTATIVES of the Japanese and British motor industries began two days of talks in Tokyo today on the Japanese Government's proposal to the U.K. to reduce its share of British car registrations to within 10 per cent, from last year's 10.6 per cent.

Mr. David Plaistow, of Rolls-Royce, who is heading the British delegation, was expected to ask the Japanese motor manufacturers to reduce their share of British car registrations to within 10 per cent.

It is expected to offer an undertaking similar to a year ago to the effect that "no significant increase" in market share is foreseen by Japanese exporters. Japan's share of the U.K. market rose from 9.4 per cent in 1974 to 10.6 per cent last year. The U.K. industry is likely to have pointed that out with some force, but Japan is likely to have stressed that European exports to the U.K. rose faster than Japanese exports.

Nippon chief to visit Peking

TOKYO, Feb. 7.

TOSHIO DOKO, president of the Japanese Federation of Economic Organisations, is expected to visit Peking this month to sign an agreement involving more than \$200m. in trade with China over the next eight years.

Japanese companies will export industrial plant and equipment in exchange for crude oil, coal and other raw materials. Oil shipments could total 110m. barrels a year.

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\$14m. glass plant

Panama will build a \$14m glass container plant, financed by U.S. Panamanian and West German investors. Reuter reports from Washington.

FOR THE third successive year Scotch shipments to the U.S. have shown a decline, according to details per market and per category of Scotch shipments for 1977 released by Customs and Excise.

These show that exports to the U.S. last year fell 3.5 per cent in volume compared with the previous year to 21.6m. proof gallons, though value edged up just over 1 per cent to £148.7m.

Scotch whisky sales also fell for the third successive year in the U.S. The fall, as measured by tax payments, was 3 per cent to 47.6m. U.S. tax (that is liquid) gallons. It was also more than 12 per cent below the 1971 peak for Scotch consumption in the States of 54.3m. gallons.

The 1976 total bottled down clearly shows the supremacy of the bottled blend product in both volume and value. The pattern is reversed in breaking down last year's total.

First, bottled blends fell 5.5 per cent in volume to 18,229,000 proof gallons and — largely because of the stronger pound and weaker dollar — their value also fell, by 0.28 per cent to £121,814,000.

European fibre makers' plan to cut output

BY DAVID BUCHAN

BRUSSELS, Feb. 7.

AN AGREEMENT between Europe's major synthetic fibre producers to cut excess capacity may be near, following a meeting between Viscount Etienne Davignon, EEC Industry Commissioner, and top companies including Courtaulds and ICI.

The Commission has been conducting discussions since last autumn with the 13 producers that dominate the European synthetic market.

But it had been held up because the Italian Government refused to curb expansion plans. EEC and industry say the Italians "significantly shifted their position" at yesterday's meeting.

After a recent meeting between Viscount Davignon and Sig. Donat Cattin, the Italian Industry Minister, Italy agreed to a temporary cut in production capacity from 820,000 tonnes last year to just over 500,000 tonnes by the end of this year, one source said.

The non-Italian producers have cut capacity for the past two or three years because of heavy losses.

They have insisted that Italy also makes sacrifices if cuts are to be co-ordinated at the European level.

pean level to get rid of the surplus capacity affecting the market and depressing prices.

Though Italy plans to restore its synthetic fibre capacity to over 800,000 tonnes a year by 1980-81, it is felt that 2.7 million Italian cut before that may help.

The companies represent over 80 per cent of total EEC production. They are Montedison, SNIA, ANIC, STI, of Italy, Bayer and Hoechst of West Germany, ICI and Courtaulds of the U.K., Rhone-Poulenc of France, Akzo of Holland and Fabeika of Belgium.

On the assumption that there would still be surplus capacity by 1980 even if no new plants were opened, the Commission first asked EEC Governments last summer not to aid expansion for two years.

It then asked the companies to freeze capacity at last September levels.

But that was not considered enough. Forecasts for all of Western Europe show that shipments are likely to be 2.3m. tonnes in 1981 from 2m. tonnes in 1976, but short of likely production capacity in 1981 of 2.7m. tonnes (3m. tonnes in 1976). The Commission has since last autumn tried to negotiate co-ordinated cuts with the companies.

EEC officials, who want to see similar rationalisation schemes for steel and shipbuilding, say that the number of producers of synthetic fibres should make agreement easier.

But they point out that an agreement with cuts to be sold to the market and also approved by the full 13-member EEC Commission, who will have to consider its legal implications for competition rules, and member governments.

It is hoped that cutting capacity only about two-thirds used at the moment would reduce EEC companies' losses, which amounted to some \$1bn. in 1975 and \$600m. in 1976.

EEC officials say losses for last year, when fully published, are expected not to show much improvement on previous years.

Swiss clothing exports up 14%

BY JOHN WICKS

ZURICH, Feb. 7.

EXPORTS of the Swiss clothing industry rose by 14.4 per cent last year to Sw.Frs.546.5m., export prices having risen over 1976 levels by only some 4 per cent.

Sharp increases in exports were booked in value terms to the important West German market, which takes about one-third of all Switzerland's foreign sales, and to France, Benelux and Italy.

Imports of ready-made clothing went up by almost exactly the same rate, rising 14.3 per cent to Sw.Frs.130m., though this was brought about largely by a 12.3 per cent. growth in import prices. Well over one-half of the volume came from the neighbouring countries West Germany, Italy and France.

The rise in clothing imports from Asian countries was less marked than in former years, going up by only 5.5 per cent, although Hong Kong is still the fourth most important foreign supplier to Switzerland while South Korea and Taiwan are among the top ten.

The Swiss cotton processing industry has at the same time announced growing concern at the development of its market. Cotton spinning production was higher by a modest 2.6 per cent in calendar 1977 and that of cotton weavers by 3.5 per cent.

But second-half figures were down by 4 per cent, and 0.4 per cent, respectively, on the second half of 1976.

Exports of cotton yarn fell in volume terms by 12 per cent to 12,615 tonnes for the year as a whole — major markets remained Austria, West Germany and the U.K. — although there was a 6 per cent. increase in export value to Sw.Frs.179m. At the same time, imports were up by 30 per cent in volume and 42 per cent in value.

However, imports of cotton yarn are still little more than 10 per cent of domestic output.

Switzerland's exports of woven cotton fabrics rose sharply in 1977, increasing by 22 per cent to Sw.Frs.453m., or substantially more than the Sw.Frs.179m. worth of imported cotton fabrics.

Colour TV sales drop

TOKYO, Feb. 7.

JAPAN'S COLOUR television exports in calendar 1977 fell 15.8 per cent to 4.42m. sets from 5.25m. in 1976, when it rose 90.5 per cent.

The Japan Electronic Industries Association said the decline followed a 28 per cent fall in exports to the U.S. to 2.13m. from 2.96m. in 1976 following an agreement to curb exports from last July. Japan is limiting exports to the U.S. to an annual ceiling of 1.75m. sets for three years.

Exports to Saudi Arabia rose 440 per cent to 150,300 from only 27,800 in 1976, and those to Kuwait rose 129 per cent to 89,500 from 43,400 it said.

Japan's total colour television production in 1977 fell 8.5 per cent to 9.63m. from 10.53m. in 1976. Production in December totalled 800,000 sets, down one per cent from 807,000 in November and 19 per cent from 991,000 in December, 1976, while exports totalled 318,000, up one per cent from 305,000 in November but down 45 per cent from 575,000 in December, 1976, the association said. Reuter

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\$20m. Arabsat contract soon

By Rami G. Khouri

AMMAN, Feb. 7.

ONE OF three short-listed groups will be chosen in the second half of this month as consultants for the Arabsat regional satellite telecommunications project, in a contract expected to be worth some \$20m.

The three in the running are the AEA Group, which includes Arab, European and American companies; Telesat of Canada together with Cable and Wireless; and Comsat General of the United States.

A total of 16 Arab states are jointly undertaking the project, called the Arab Satellite Communications Organisation, with its headquarters in Riyadh, Saudi Arabia, at an estimated total cost of \$180m.

The project involves launching a satellite into a fixed orbit 36,000 kilometres above the earth by 1980. The satellite will relay telephone, telex and television communications among the Arab states, with a capacity of 6,000 telephone or 144,000 telex calls.

Ground control for the project will be in Riyadh, where a meeting will take place after February 15 to choose the consultants for the project, according to Arabist vice-chairman Mohammad Ismail.

Plessey of Great Britain has won a \$1m. contract to supply and install three mobile automatic telephone exchanges in three Jordanian towns. The exchanges have a capacity of 1,000 lines each. Plessey is also engaged in negotiations for more similar contracts here.

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A FINANCIAL TIMES SURVEY OVERSEAS CONSTRUCTION

March 14 1978

The Financial Times proposes to publish a survey on Overseas Construction. The main headings of the provisional editorial synopsis are set out below.

INTRODUCTION The search by builders and civil engineers for work in overseas markets continues unabated. There is evidence to suggest that while the biggest constructors continue to dominate the field, smaller companies without previous experience of working abroad have been making considerable headway.

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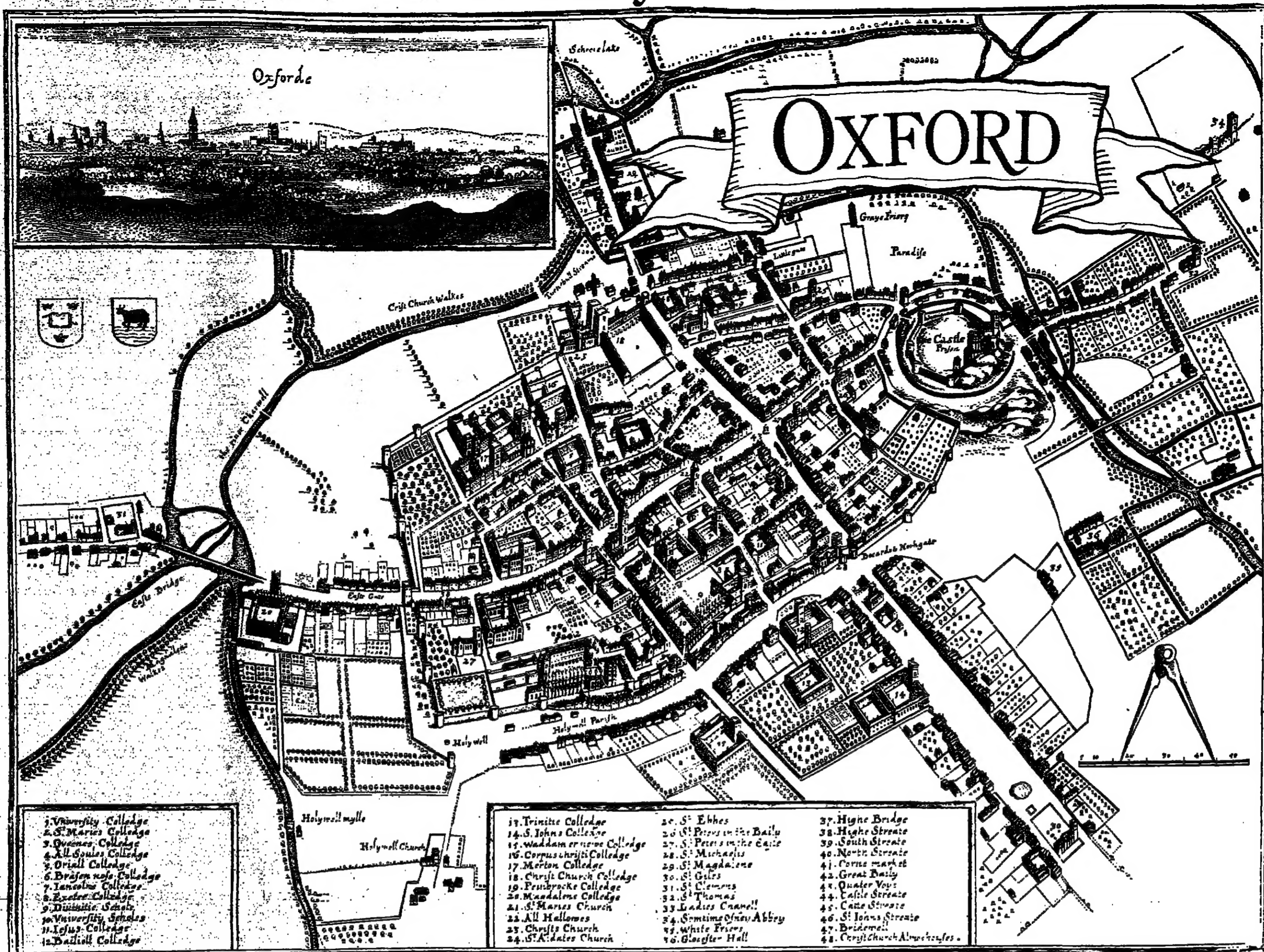
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HOME NEWS

World oil surplus forces down North Sea prices

BY RAY DAFTER, ENERGY CORRESPONDENT

NORTH SEA oil producers have been forced to cut contract prices by as much as 10 cents to 15 cents a barrel because of a continuing glut of world crude oil supplies.

The premium for light, low sulphur crude is said to be diminishing as a result of the surplus. Oil from the Norwegian Ekofisk Field is reported to be selling for about \$13.75 to \$13.80 a barrel, with its previous 5 cents to 10 cents premium over U.K. Forties Field crude now virtually eroded.

The lowering of North Sea oil prices is in line with the worldwide trend, although companies operating in the U.K. and Norway have more pricing flexibility than those in areas covered by the Organisation of Petroleum Exporting Countries. Petroleum Intelligence Weekly says in its latest report that profit margins on North Sea oil are still about \$2 to \$3 a barrel.

In spite of the trading difficulties, market reports suggest that British National Oil Corporation has obtained favourable prices for its first contract sales. A commitment of oil from the Thistle Field, which is about to

Varley holds back on steel decision

BY RUPERT CORNWELL

MR. ERIC VARLEY, the Industry Secretary, is unlikely to make his long-awaited statement on the future of the troubled steel industry until the end of March, in spite of continuing pressure at Westminster for an earlier announcement.

Meanwhile, the Commons Select Committee looking at the British Steel Corporation has completed its extra hearing of Mr. Varley and Sir Charles Villiers, BSC's chairman, and is aiming to publish supplementary findings to last month's highly critical report, within two or three weeks.

The decision facing Ministers, which is certain to involve plant closures and redundancies, is one of the politically more sensitive since Labour took office. The Cabinet Committee involved made some progress at a meeting yesterday but apparently

requires some while yet to make up its mind.

Significantly, the committee discussion, with Mr. Callaghan in the chair, was attended not only by key Ministers involved but also by Mr. Michael Cocks, the Chief Whip—a sure sign of the Government's anxiety over the reaction of Labour MPs with constituency steel interests.

The excuse officially advanced by Whitehall for the delay is that Ministers need first of all to see the outcome of the pay talks between the British Steel Corporation, which is expecting losses of £520m. in 1977-78, and the unions.

But British Steel officials point out that the Corporation's own proposals for the reorganisation have been with Ministers for two months and the Government has also had

ample chance to study a separate assessment made by Mr. Gerald Kaufman, the Industry Minister.

In any case, it is argued, whatever an increase is agreed is unlikely to have a great bearing on British Steel's basic problems.

Views among Ministers range from a desire to take early and severe action on the grounds that delay can only worsen the industry's plight to fears that cuts may damage Labour's election prospects.

At the same time, there is hope in some quarters that a strongly expansionary Budget could help to ease the Corporation's difficulties.

Meanwhile, it is understood that there is a possibility of further legislation in this session of Parliament to release further public funds to British Steel.

Meeting on U.S. charter fares

By Michael Donne, Aerospace Correspondent

GOVERNMENT officials from Britain and the U.S. are expected to begin talks in London on Friday on North Atlantic air fares, in the hope of securing an agreement which will put an end to the confusion on routes from the U.K.

These officials have been meeting in London for some days, in a bid to reach agreement on charter flights between the two countries—but with little success.

They have decided to turn their attention to the scheduled airline sector to try to reach an acceptable policy on fares which all U.K. and U.S. scheduled airlines can apply.

If they are successful it is likely that other countries in western Europe would support such a pact, using it as a basis for fares to and from the U.S.

In this way, a new North Atlantic fares agreement would emerge in line with the gap from April 1 caused by the failure of airlines to agree at a meeting in Geneva in January, called by the International Air Transport Association.

The meeting failed because of differences on levels of fares wanted. Some airlines wanted higher rates to compensate for rising costs.

Others wanted cheaper fares to meet competition from Laker's Skytrain.

Many airlines in the association have been critical of the U.K. and U.S. Governments' attitude towards Atlantic fares, charging them with causing many difficulties.

Airlines say that persistent refusal by the U.S. Government, through the Civil Aeronautics Board, to approve fares agreements reached by the association has caused administrative and financial difficulties. The U.K. Government's decision, through the Civil Aviation Authority, to approve the cheap Skytrain, has helped to stimulate the battle for cut-price rates.

Search for way to convert coal to petrol

BY RAY DAFTER, ENERGY CORRESPONDENT

JOINT STUDIES into the possibilities of converting coal into liquid fuels are to be made by British Petroleum and the National Coal Board.

They are particularly interested in the possibility of obtaining high grade oil products, such as chemical feedstocks and petrol, from coal.

Both are aware that coal reserves will last much longer than oil; it is estimated, for example, that supplies of U.K. coal will last for more than 300 years whereas North Sea production may be falling in the 1990s.

The agreement to collaborate in detailed studies was taken at a recent meeting of Sir Derek Ezra, chairman of the Coal Board, and Sir David Steel, BP's chairman.

The organisations said yesterday that it was too early to estimate how much investment would be involved. The decision to collaborate more on coal liquefaction research was taken in the light of the uncertain future for fossil fuel supplies.

BP has given help in the design and construction of a small-scale hydrocracking unit at the Coal Board's Coal Research Establishment at Stoke Orchard, near Cheltenham.

Synthetic petrol produced by the plant was demonstrated during the Mining Festival in

Blackpool in November. The Board and BP said that when the joint studies had been completed it was hoped to build a large-scale demonstration plant.

In the meantime the work to be undertaken would include the preparation of coal-based liquids, the investigation of possible product ranges and a technical and economic assessment of the processes and products obtained.

The ultimate object is to establish that coal can be used as a commercial source for liquid fuel and chemical feedstocks as oil supplies become less plentiful towards the end of the century.

The Coal Board, at its Coal Research Establishment, has developed two processes for extracting solvents from coal.

One involves dissolving coal in liquid solvents; the other is a novel method of extraction using gases under pressure.

In both processes an extract is obtained which can be turned into oil products by means of hydrocracking.

About 40 Coal Board staff are involved in the research. BP has a similar research unit at Salsbury-on-Tames.

In preparation for the time when oil supplies become scarcer, BP—with other energy groups—is developing its worldwide coal interests.

No further action on glass prices

By Elinor Goodman, Consumer Affairs Correspondent

UNITED Glass said yesterday that there was little it could do about some of the points raised by the Price Commission in its report on the company.

The statement coincided with an announcement from the Department of Prices that Mr. Roy Hattersley, Secretary of Prices, had completed his consideration of the commission's report on the company.

No further action is planned by the department since the company has already promised not to raise its prices for nine months—provided there is no sudden increase of costs—and to consider the other points raised by the Commission.

Last month, after a three-month investigation, the commission gave United Glass approval for a 9.8 per cent price rise originally proposed by the company. It added that certain aspects of its operations should be reviewed.

These were the disparity between the profits made on sales to large and small customers, the possibility of improving the use of capacity by getting firmer contracts with customers, and the practice of charging uniform delivered prices.

The company undertook to give urgent consideration to these areas, but yesterday Mr. Vic Hender, managing director of United Glass, said that though the company would study the commission's suggestions there were limits to what it could do about them.

Scrap steel supply hit by low prices

BY ROY HODSON

SCRAP steel is becoming scarce in Britain because of the depressed prices.

The £400m-a-year ferrous scrap industry reports a shortage in some areas.

Prices have fallen from an all-time high of £50 a tonne two years ago to as low as £23 a tonne.

Prevailing prices do not justify the trouble and cost of collection and delivery to processing yards. Mr. Eric Cross, president of the British Scrap Federation, said yesterday.

Some manufacturing and engineering plants are accumulating prime scrap from their steel-using processes in the expectation that prices must improve.

But the British market for scrap remains in a weaker condition than it has been for years. Foundries are now the biggest buyers, followed by private sector steelmakers and exporters. British Steel has fallen to fourth place.

The decline in British Steel's scrap demand during the steel crisis has virtually turned the scrap industry upside-down.

When the Corporation was in an expansionist mood four years ago it was taking up to 50,000 tonnes of British steel scrap each week. This has fallen to about 10,000 tonnes.

For the first time the scrap industry is exporting more than it is selling to British Steel. Meanwhile, scrap merchants have cut their stocks by about 70,000 tonnes, to below 1m. tonnes.

Exports of scrap rose from 600,000 tonnes in 1976 to 937,000 tonnes last year, worth £40m. Spain continued as the main market taking more than half export tonnage.

The British Scrap Federation believes that some improvement in demand for steel and for scrap supplies to the steel industry, is likely after April.

NEWS ANALYSIS—CONTRACTS

Power of the purse string

FINANCIAL TIMES REPORTER

IT IS by no means unprecedented for clauses to be inserted in Government contracts requiring suppliers to observe Government policies on pay or any other matter which concerns Ministers but which does not normally concern the parties to a commercial transaction.

Indeed, the oldest precedent which could be remembered last night is the "fair wages clause."

Following a House of Commons resolution in October, 1946, it has since been standard practice to require all Government contractors and suppliers to pay wages rates and adopt hours and conditions of work not less favourable than those generally observed in the locality and industry in which the contractor operates.

In the case of building and civil engineering contracts, the condition has to be accepted before companies are put onto a tender list.

Racial discrimination was made the subject of another standard clause in Government contracts in 1963.

Leverage

A further clause, dealing specifically with the Government's pay policies, was inserted in Government contracts during Phases One and Two of the present pay policies; and the practice has continued during Phase Three in the form of a clause requiring suppliers to observe the 12-month rule.

But, while there are these precedents, no case is known for at least the last 10 years of a contract being regarded as having been broken because of a breach of one of these clauses. Until now, at least, the clauses appear to have been regarded more as a matter of form.

However, Labour politicians have often regarded Government procurement as providing a useful form of leverage over private industry. It is no coincidence that the clauses concerning fair

wages, racial discrimination and incomes policy were all inserted in the standard form of Government contracts during periods of Labour Governments.

The public sector has become a major customer for a wide range of industries. Defence procurement absorbs just over half of the output of the aerospace industry and about a fifth of the output of the electronic and instrument engineering industries.

The health and hospital services are a major buyer of pharmaceuticals—taking roughly a quarter of that sector's output. And the building and repair of houses, schools, roads, advance factories and other public works account for just over half of the construction industry's output.

For manufacturing industry as a whole, Government procurement of one kind or another represents about a tenth of total U.K. and export sales.

In all, these contracts are currently worth at least £10bn. a year.

But this includes contracts placed by local authorities, and it is by no means certain, if the Government tried to persuade local councils to adopt a similar "pay policy" clause, whether many councils would fall in with the idea.

The attitude of local authorities will be of particular interest to the construction industry as they commission about four times as much building work as the Property Services Agency and other central government bodies. Only about a tenth of the industry's orders comes from the PSA and Whitehall departments.

In all, local authorities account for almost half of total government procurement. But the other half—some £7bn. a year—provides the Government with a useful leverage on sectors heavily dependent upon Government orders. If Ministers are prepared to use it and if they are able to establish some system of enforcement of contractual terms.

In the U.S. the general policy is that companies working on Government contracts must obey the law of the land. Failure to do so may lead to black-listing or litigation in the courts to force compliance with the law even if no Government relationship is involved.

The U.S. abandoned wage and price controls and guidelines in 1974. However, such curbs were in effect from 1971 to 1974, when they constituted part of the contractual relationship between Government and company.

Companies must still comply with a gamut of Federal statutes, including labour law, health and safety laws, payment of the minimum wage in Government contracting, and, perhaps most noticeably in recent years, the need to obey anti-discrimination and equal opportunity regulations.

The U.S. Defence Department said yesterday that over the last year there had been two or three instances where companies had been denied government work because of their failure to employ their quota of minorities or women.

Similar pressure has been brought to bear on other industrial sectors, with varying degrees of success. Integration of the construction unions, while incomplete, owes a good deal to Government pressure.

In practice, most large companies with substantial Government contracts have moved to minimum compliance with anti-discrimination and equal opportunity laws.

Government pressure itself has been a variable factor: The Nixon Administration generally soft-pedalled on strict enforcement. The present Government, however, has shown itself aware of the fact that companies may avoid compliance by inserting in its proposed labour law reform the requirement that Government contracts will be denied to companies considered "persistent offenders" in thwarting the formation of trade unions.

Royal Commission for energy urged

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT'S new Energy Commission should be scrapped and replaced by a Royal Commission, the Town and Country Planning Association said yesterday.

The association, an objector at the recent Windcase inquiry, said that the commission should be given the task of producing within two years a national energy strategy.

The Energy Commission, which meets for the second time on Monday, was "far too narrowly constituted for the purpose of producing a balanced view of possible and desirable future energy strategies."

Established by Mr. Anthony Wedgwood Benn, Energy Secretary, to advise on energy policies, the Energy Commission comprises 22 representatives of producers, users and consumer and scientific interests.

The association's statement claimed that the opportunity for public debate and examination of possible energy strategies was almost non-existent. The Energy Commission published papers in a "desultory fashion with minimal publicity or encouragement for comment."

The Government's official forecast of energy demands were criticised as being based on a much-on an acceptance of trends and not enough on the basis that deliberate policies could be pursued specifically to change trends.

Insufficient account was taken of shifting pressures of land use and its effect on national housing, factory and office building programmes. Hence the scope for energy conservation was under-estimated.

The results of four exploration wells drilled last summer in the South Western Approaches of the English Channel, the Energy Department are to be made available to the industry. The information from all four is being sold for £50,000 a set.

The wells were drilled on blocks 88/2, 87/14, 83/24 and 87/18 to establish the existence of sedimentary rocks beneath the thick chalk which covers the area.

Offshore operators are about to begin oil exploration in the Western Approaches and the English Channel after the allocation of fifth-round licences.

Further blocks in the area are expected to be offered in the sixth round, details of which should be announced this year.

Coal merchants 'ready to withstand strike'

BY JOHN LLOYD

COAL MERCHANTS are well placed to withstand any but the most prolonged industrial action by the National Union of Coal Merchants, the Federation of Coal Merchants said yesterday.

Merchants have been buying heavily from the National Coal Board in recent months, partly because they fear a miners' strike in support of a pay claim.

Coal stocks are now well up on the alarmingly low levels towards the end of last year.

The first results of increased production from the incentive scheme agreed between the Coal Board and the miners are beginning to show.

"We are hopeful that the production bonuses will result in an improvement in the quality of coal," Mr. Charlton said.

The coal trade will go metric on April 1 when the standard hundredweight bag will be replaced with a 50 kilogramme bag, which will contain 1.58 per cent less coal.

The Federation has already agreed with the Domestic Coal Council that its members will lower their prices proportionately.

Mr. Charlton, commenting on the increase in deliveries of anthracite and smokeless fuels, said that much of the increase was due to the growth in sales of solid fuel appliances in the last three years.

A forthcoming advertising campaign for solid fuel will be built round the slogan "Never build a house without a chimney."

The Federation is lobbying hard to have legislation brought in which would make it illegal to build houses without chimneys.

Chamber seeks Inner London policy review

THE Government has been urged to reconsider two areas of its policy for regenerating inner London to prevent the continual decline in employment in the capital and to give the docklands scheme a chance of success.

The appeal has been made by the London Chamber of Commerce in an exchange of letters with the Departments of Transport, Industry and Environment.

However, the chamber's call for temporary assisted area status for the capital has been rejected by the Government.

In its reply, the chamber repeated its belief that assisted area status was the only solution to London's problems if industry, commerce and jobs were to

remain in the inner city.

Brokers question bearish gilts view

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE BEARISH view of financial prospects held by many in the gilt-edged market has been questioned by Kemp-Gee, brokers.

In its latest monthly review entitled *Are the Worries Overdone?* the brokers recognise the "dangers which the gilt market has to meet, particularly in the short run" and the uncertainty over fiscal and wages policy.

"Our feeling is that the responsibility which has characterised fiscal policy in recent months will remain and that there is a very good chance that the outlook on the wages front, while not being absolutely satisfactory, will be satisfactory enough."

On this basis, Kemp-Gee regards "the recent fall in the market as approaching a buying opportunity though we are conscious that the reassurance which the market will need before staging a significant recovery could still be some little time away."

The brokers suggest that a net budget stimulus of something around, though preferably less than, £20m. is a reasonable number on present evidence.

"It remains crucial that at a time when demand will be rising quite well anyway the authorities refrain from excessive stimulation because that would only return us to the unbalanced economy from which we have suffered during previous 'go-phases of the cycle.'"

Torn documents 'disclosed plot to deceive Treasury'

FINANCIAL TIMES REPORTER

THE NAME of the late Sir Eric Miller, the former chairman of Peachey Property Corporation, was mentioned in the multi-million pound international currency fraud trial at the Guildhall Court in the City of London yesterday.

City stockbroker Mr. Lewis Altman said that he was told by Sir Eric on September 15, 1976, that Mr. Judah Binstock had been stopped by Customs officers at Heathrow Airport the previous day.

The prosecution alleges that Mr. Binstock, a former London solicitor and businessman, tore up some documents at the airport. These were seized by Customs officials and found to be drafts of documents to be forged to deceive the Treasury.

The documents were said to have exposed a revolving fund exchange control fraud, which netted a £2m. profit from transactions involving foreign currency passed off as investment currency.

Mr. Altman, aged 58, and his partner, Mr. Robert Carnes, aged 51, have both denied involvement in the fraud.

Mr. Altman said that he was at that time too busy to know more than a blind."

Mr. Altman: "Not at that time."

I never knew it was a blind at the time."

Mr. Worsley asked if he had never sent for the envelope to see where the letters, signed by Mr. Jean Jasson, from EIC Eurosecurities in the Isle of Man, had been posted. Mr. Altman said he had not.

Mr. Altman said that Mr. Jasson was not often in the Isle of Man. Mr. Worsley: "You believed him to be writing letters from the Isle of Man, but not from the Isle of Man. How did you think the signature got on the letters?"

Mr. Altman: "I didn't give it enough thought at the time."

Mr. Altman said that Mr. Binstock told him that he would never be a director of a company again. It was fair comment to say that Mr. Binstock wanted the power without the responsibility.

He realised that Sir Ralph Murray and the Duke of St. Albans were invited to join the board of EIC, to give the company respectability, and that the people who really controlled it—the Binstock gang—did not appear on the headed notepaper.

The case resumes today.

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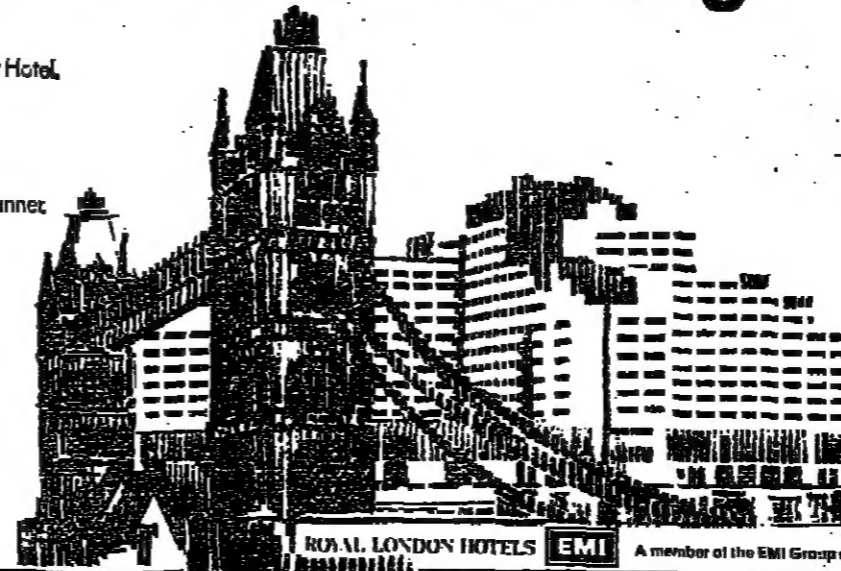
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THE TOWER HOTEL

THE HEART OF LONDON

HOME NEWS

Football stadium scheme dropped

BY DAVID CHURCHILL

THE CONTROVERSIAL plans to build a new international standard football stadium in north London on the site of the abandoned Alexandra Palace, have been abandoned by the Greater London Council.

The proposed stadium would have housed both Arsenal and Tottenham Hotspur football clubs and, possibly, the England team. But Mr. Horace Cutler, leader of the Conservative-controlled council, said yesterday that the scheme was neither desirable nor practicable.

Although the idea had initially appeared to be an attractive solution to the problems of the under-used and costly present building, the reaction of local residents and local politicians of all parties was instantaneous and totally negative.

Mr. Cutler cited several reasons for the decision to abandon the scheme, which will be formally ratified by the next full council meeting. It was wrong to impose a solution on people against their will and the "pro-social and environmental" consequences are "untenable".

In addition, the logistical problems raised by a 100,000-capacity stadium on roads and other public services were immense and the cost of them to the ratepayers would be prohibitive.

Swan Hunter men may receive £10,400 redundancy payment

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SWAN HUNTER shipyard workers to be made redundant in May after their refusal to work normally on the Polish shipbuilding order, will be among those eligible for payments of up to £10,400 under the terms of the Shipbuilding Redundancy Payments Scheme outlined yesterday.

The Department of Industry confirmed last night that the provisions, once enacted, could apply to all redundancies dating from the vesting day of British Shipbuilders last July.

The 1,182 men who received 90-day notices at Swan Hunter on Monday may well be among the first to negotiate payments under the scheme, the enabling Bill for which has now completed its Committee Stage.

Another company, requiring urgent access to the fund is River Thames Shipbuilders, which wants to cut 470 jobs.

It is estimated that the scheme, which is slightly less generous than the versions proposed by British Shipbuilders and the Confederation of Shipbuilding and Engineering Unions, will cost the Government £25m. per thousand redundancies based on average earnings at last September.

This is higher than was envisaged in the financial memorandum attached to the original Bill because the scheme predominantly provides lump sums rather than income support.

Mr. Gerald Kaufman, the Industry Minister, outlined the scheme in a Parliamentary answer yesterday. It contains a number of safeguards designed to prevent abuse, but also makes concessions to give shipyard workers payments for moving to new jobs in different yards and guarantees maintenance of income during re-training.

The minimum payment for an employee with one year's service is £300, rising according to age and length of service to £10,400 divided into a lump sum and income support spread evenly over two years.

Any worker made redundant and then re-employed by either British Shipbuilders or Harland and Wolff within a certain period would be expected to refund a proportion of the lump sum payment.

It is made clear in the statement that a formula will be found to compensate, on similar terms to shipbuilding workers, certain ship repair workers who have been employed on a casual basis.

Fight between potash and local beauty

BY PAUL CHEESBRIGHT

THERE IS a national need to produce more potash in the U.K. With this assertion Consolidated Goldfields yesterday started the presentation of its case for a new mine in the North York Moors National Park.

A public inquiry is being conducted in this seaside resort by Mr. A. D. Hawkins of the Department of the Environment, with two assessors.

He is hearing an appeal by Whitby Potash, now a Goldfields subsidiary, against a refusal by the National Park Committee to grant an extension of planning permission originally given in 1970 for a new mine.

Planning authority has been assumed by the North Yorkshire County Council to whom the National Park Committee is administratively responsible.

So far, 24 local and national organisations and public bodies and seven individuals have given notice of their intention to present evidence. One local group wishes to call 17 witnesses. The inquiry could last four weeks.

The potash issue has been nagging Whitby for 10 years—first the application by Cleveland Potash, then applications from Shell and Rio Tinto Zinc, and now the Goldfields hearings. Goldfields bought the Shell property last March.

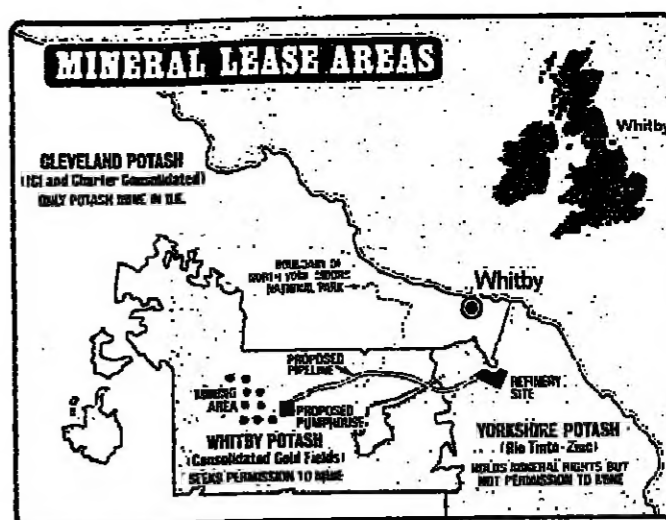
Introducing the Goldfields case, Mr. Robert Gatehouse, Q.C., said: "There is no objection raised today which was not in substance raised in 1969. There is no new factor in the situation."

The Goldfields plan is to extract potash by solution mining at Egton Low Moor, south-west of Whitby, and send the raw material four miles by pipeline to a refinery on the edge of the national park, about one mile from the town centre. The refined product is used in the manufacture of fertiliser.

The fear is that linking Whitby with a mine would spoil the tourist business. Part of Whitby's attraction rests on its historical charm—the old Abbey, site of the submission of the early English Church to Rome in the year 664, and later its role as home port for Captain Cook—and on its easy access to the beauty of the National Park.

Local opinion is fairly evenly divided. The three tiers of local government—Whitby Town Council, Scarborough Borough Council and the North Yorkshire County Council, are in favour of a mine, but the National Park Committee is against.

Mr. Leon Brittan, Conservative MP for Cleveland and Whitby, came out against the mine a fortnight ago, preferring to seek special Development Status for the area which he thought would attract light industry and leave the tourist business unimpaired.



Mining without miners

Solution mining—really mining without miners—is a rare process used only by PPG Industries at a potash mine in Saskatchewan.

The basic principle is simple. A well about 12 inches in diameter is dug—in the case of Gold Fields at Whitby Potash it would be more than 3,000 feet deep—and lined with steel. A second, narrower, tube is then inserted.

Water is pumped down one part of the pipe. When it meets the potash salts in the orebed, a brine is made which is forced up the other part of the pipe and carried by pipeline to a refinery.

Gold Fields wants permission for a mine with 36 wells, in nine clusters of four. A cluster would be spread over about two acres. Gold Fields estimates that 2.5m. gallons of water would be used every day.

State grants boost die-casting projects

FINANCIAL TIMES REPORTER

The Government's £20m. non-ferrous aid scheme has approved an investment of £3m. for high pressure light alloy die-casting machinery projects.

This compares with £1.4m. for low pressure and only £340,000 for gravity projects on which some industry leaders pin their faith because of its competitive nature.

A total of 45 applications for aid £4m. have been approved, another 55 for a similar aid in the pipeline and another £5m. is under negotiation with the Industry Department.

The £50m. investment expected to be generated is twice the normal rate and should provide 2,000 jobs by 1981 if exports, just beginning, lead to higher market shares. Bosch, Volvo, Saab and others in the European vehicle industry are among new customers.

Mr. John Ray, Chloride group chief executive and chairman of the scheme's non-ferrous advisory committee, said that "Europeanisation" of design, procurement and manufacture was opening new opportunities. Small companies, which comprise the majority in the industry, would be important in expanding world market shares.

He advised immediate application for the outstanding £8m. available until August and reminded applicants that consultancy help with projects could be provided.

While there have been reported cuts in Leyland Cars' £100m. foundry modernisation programme, some big private industry projects are awaiting a decision.

Shore unveils plan to aid home buyers

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

FULL PLANS for providing financial assistance to first-time house buyers were unveiled yesterday by the Government.

Mr. Peter Shore, Secretary for the Environment, said that the proposals would cost an estimated £400m. a year, but he added that the figure was small compared with the present level of mortgage lending—now heading towards £80bn a year.

The terms of the Home Assistance and Housing Corporation Guarantee Bill, which should become law in the autumn, state that only first-time buyers purchasing their homes on mortgage and within a regional price limit set by the Department of the Environment will qualify for help.

Under an interest-free loan scheme the first-time purchaser who saves for two years and accumulates at least £300—keeping a minimum £300 in the account for the year before buying—will qualify for a matching £300 loan.

This will not have to be repaid for five years, when the lending institution involved will repay the £600 to the Government and substitute its own funds.

The buyer's payments will then be increased so that the additional loan is paid off over the remaining life of the mortgage.

This element of the scheme has attracted some criticism, notably from the building societies, who will be largely responsible for its administration.

They say that many house buyers are invariably better placed to meet higher commitments in the early stages of home ownership rather than later on when combined incomes may no longer be available.

The societies have also cast doubts on the scheme because house price inflation during the two-year qualifying period could offset any of the benefits offered by the bonuses.

John Folkes completes £1m. steel expansion

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

JOHN FOLKES HEFO, the Bar-Bright Union Steel has Midlands engineering group, has completed the £1m. expansion and rationalisation of its bright drawn steel division.

This involved closure of the Union Steel and Manufacturing works at Wolverhampton at a cost of about £250,000 and removal of its operations to an expanded Bar-Bright plant at Brownhills, West Midlands.

About £750,000 has been spent on capital equipment at Bar-Bright but only 40 of the 80 Union Steel employees have made the 12-mile move to work at the Brownhills factory.

Mr. Jim Hearnshaw, chairman of John Folkes said that Bar-Bright Union Steel should contribute sales of about £23.5m. of the £77m. turnover the group was seeking this year.

"As its margins of profit are lower than average for the group, 6 per cent, profits should move up from just over £1m. last time to about £1.4m."

Quicker house price rise forecast

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

HOUSE PRICES are likely to increase more rapidly this year, although no "explosion" is expected, according to the Building Societies Association.

The Association's latest quarterly bulletin joins the debate on the likely extent of average house price increases during the year. It concludes: "A reasonable forecast is that prices may rise by 12-13 per cent over the next year compared with the annual rate of 8 per cent, in the recent past, although the actual rate will depend very much on what happens to incomes."

The Association believes that prices are likely to rise more rapidly because they are now low in relation to earnings. Real incomes are rising for the first time in several years and consumer confidence is improving.

In addition, the successive reductions in the mortgage rate over the past year could serve to increase the overall demand for owner-occupation.

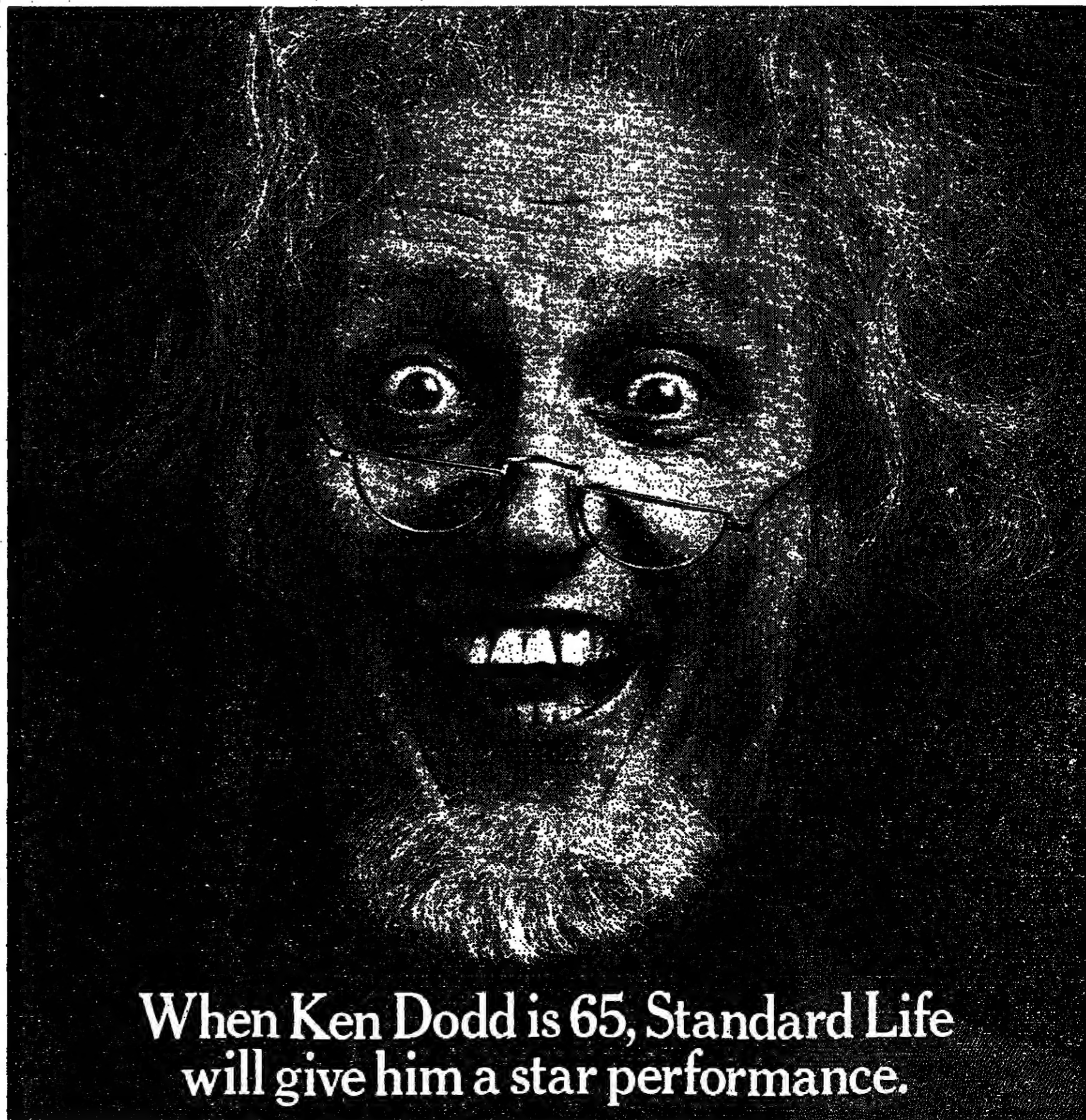
Confirming details of the movement's performance last year, the association says that societies rose last year from £32.1bn. to £34.4bn. (21.8 per cent), of which £7.46bn. (£1.8 per cent) was in liquid form. The record 1975 record per cent. of £3.19bn. A record 754,000 loans were made involving 30.5 per cent.

Copyright challenge ends

BY OUR SHIPPING CORRESPONDENT

A MANUFACTURER of unmanned submersible craft for use in the offshore oil industry has successfully beaten off a copyright challenge from a Canadian competitor.

U.S. Marine of Gloucester, said yesterday that McElhanney, of Vancouver, had failed to present evidence at a hearing which they had requested in order to strike from the record claims first made by the Canadian company.



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PARLIAMENT AND POLITICS

Hattersley rejects fierce Tory attack on pay 'blacklist'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

ALLEGATIONS THAT the Government is unlawfully or capriciously using its discretionary powers against companies who break the 10 per cent pay guidelines were "wholly preposterous," Mr. Roy Hattersley, Prices Secretary, told the Commons yesterday.

Replying to a full-scale Opposition attack on the Government's "blacklist" of companies, Mr. Hattersley announced that an explicit clause would be inserted in all new Government contracts requiring the contracting company to observe the pay guidelines. A similar clause would be inserted in requests from companies for Government assistance.

Mr. Hattersley also announced that he is to open discussions with the Confederation of British Industry and with Chambers of Commerce on the possibility of publishing the names of companies who are placed on the Government's "blacklist."

He accused Mr. John Nott, Conservative trade spokesman, of adopting "Reichstag fire" tactics against the Government in the opening speech of the debate. From the Tory front bench, Mr. Nott accused the Government of operating by "blackmail, threat, intimidation and Ministerial edict." The Government, he said, was using its discretionary powers to uphold the

Challenge by Fraser

MR. HUGH FRASER (C, Stafford and Stone), a director of Sun Alliance, said that if the Government took further steps, his company would be prepared to meet them in a court of law. "Let them take it to the courts and we will win," he declared.

and then the Government punished the employers for having it.

In reply, Mr. Hattersley declared: "I want to make it absolutely clear that the Government believes that what we have done has been wholly lawful."

In a glowing account of what was being achieved by Government policies, the Prices Secretary said that the annual rate of inflation was now running at a figure slightly better than the 8.4 per cent given by the Chancellor at the last election. The retail price index for February was published in a few weeks, would show inflation down to single figures.

"Inflation is falling and will fall faster," Mr. Hattersley declared. But his announcement of the new clause on wage guidelines drew an immediate hostile response from his own side of the House.

Mr. Doug Hoyle (Lab., Nelson

and Colne) intervened to say that there would be many in the Labour Party who would be very concerned at the statement.

To ironic jeers from the Conservatives, Mr. Hoyle added "I would like to remind you that many of us believe in free collective bargaining which the TUC is committed to. Many unions will have to reconsider their policy in the light of the statement."

Mr. Hattersley said that it had been alleged that the Government had used its powers to place contracts, purchase goods and services and withhold discretionary financial assistance in order to support its counter-inflation policies.

"The allegation is correct. We have done so and we shall continue to do so whenever the law and constitutional propriety permit," he said.

Another charge was that the use of these powers was not justified by the law, that they were being employed arbitrarily and capriciously and that companies concerned had no opportunity to complain or appeal.

"These institutions are wholly preposterous," he said. The Government policy was to stabilise prices and to see that this stability was maintained. The Opposition should really tell the country which side they were on.

"What is absolutely and totally clear is that in the whole area of inflation and wages policy, the Opposition is totally divided," the Secretary of State claimed.

The Government would do all it could within the law to achieve its wages policy. The essential criterion was the phrase "within the law."

The placing of contracts was simple and unambiguous in law. The Government would place its contracts with whomever it chose. The Attorney-General had made it clear in court on Monday that it had never been the Government's policy to take any action which would cause a breach of contractual or other obligations.

He made it plain that it was the Government's intention not to be associated with any unlawful act. The new clause was being added to Government contracts in order to make these points clear beyond doubt.

"It will mean that the contracting parties agree to observe the pay guidelines set out in the current White Paper," he explained. Acceptance of the clause by the company was necessary for the acceptance of the contract by the Government.

Similar provision would be included in offers of industrial assistance. Both the TUC and the Director-General of the CBI had been informed of these proposals.

"The House should know that the inclusion of these clauses considerably extends the application of our policy," Mr. Hattersley emphasised.

In particular, he said, it would apply to those such as the companies in the West Midlands which the Opposition claimed had been allowed to flout the 10 per cent guidelines.

Opening the debate, Mr. Nott said that the proper question for debate was whether the Government should operate by force of law or operate by blackmail. And it was proper to discuss whether they should proceed by "stealth or publication of the facts."

Attacking the Government for "picking" on particular firms, Mr. Nott said: "No sanctions were taken against Ford, but sanctions are taken against miners in Cornwall for no reason anyone can yet understand."

Mrs. Audrey Wise (Lab., Coventry SW) complained that there was no real way to record her opinion at the end of the debate.

Because the debate was only on a procedural motion put down by the Tories, she had to vote against it. But, she made clear, this was not a vote for the 10 per cent pay guidelines, nor was it a vote for the powers being used by the Government.

Name firms receiving aid—MP

By Ivor Owen

IN QUESTION-TIME exchanges, the Prime Minister supported a suggestion that firms who receive Government aid should be publicly identified as well as those who are subjected to sanctions as a result of breaching the 10 per cent pay guidelines.

Mr. Callaghan emphasised that before any final decision was taken, he would take account of views expressed in that day's debate and arrange for consultations with the CBI and the Chambers of Commerce.

Mr. Ernest Fawcough (Lab., Jarrow) proposed that the names of firms who received Government help as well as those denied it should be published.

Mr. Callaghan commented that the Labour MP had identified the "central issue." When the Government took action, although it informed the individual firm concerned, it was not published to the world, whether the action related to price restraint or subsidies.

"I see no reason why the Government should not publish the names of these firms," he said. But the Prime Minister then gave the assurance that there would be discussions with the CBI and the Chambers of Commerce before the Government reached a conclusion.

He told Mr. Enoch Powell (UU Down S), who had sought to interject, "I quite understand that you would like me to behave like a dictator, but I don't intend to do so."

Mr. Ian Wrigglesworth (Lab., Thelwell) recalled that Sir John Methven, CBI director general, had stated that if the Government held the line in applying wage restraint in the public sector, the private sector should "do its damndest" to do the same. Was this still the position of the CBI?

The Prime Minister replied that his conversations with Sir John had led him to the conclusion that the CBI wished to hold the line. The CBI was not encouraging its members to exceed the 10 per cent guideline and had supplied the Government with information about the large number of companies which had kept within them.

He contrasted this with the attitude of Conservative MPs whom he said were "gloating" in the breaking of the guidelines and conniving in secret agreements which made this possible. It seemed that their dislike of the Government was greater than their dislike of the task of conquering inflation.

Bold counter-stroke . . . with no apology

BY PHILIP RAWSTORNE

THE GOVERNMENT, accused in the Commons yesterday of furtively blackmailing industry, unapologetically responded by putting its demands in writing. Mr. Roy Hattersley, Prices Secretary, said that from now on, all Government contracts would include a clause requiring companies to observe its pay guidelines.

Offers of Government assistance would also contain the same explicit conditions, he declared.

Faced with this bold counter-stroke, the Tory attack on the secret, fine print of the Government's "blacklist" faded badly.

Mr. John Nott, who opened the debate for the Tories, was more than somewhat disarmed to find Mr. Hattersley readily admitting that the Government had used its discretionary powers to uphold the non-statutory pay limit of ten per cent.

"At present," Mr. Nott protested, to sharp cheers from the Labour benches, "we are against individual limits."

The Government would have preferred more flexibility as well, Mr. Hattersley rejoined. But, unfortunately, the Conservatives had not indicated which wage claims they thought should be lower than 10 per cent—only those that they believed should be higher.

Mr. Nott switched rapidly from that

corner into indignant protests about the way in which the Government had frightened thousands of businessmen by its intimidating tactics. Like a Committee of Public Safety, Ministers invoked the national interest—the most "pernicious" aspect of a policy in which the end justified the means.

The last thing the Government wanted was to give that impression, Mr. Hattersley replied, with emphatic sincerity.

Not that the end was unimportant, he remarked. The inflation rate this month was down to single figures for the first time for four years because of the Government's determination to pursue its counter-inflation policy.

That would please a lot of people, if not the Tories, Mr. Hattersley added. As for the secrecy surrounding the "blacklist," he suggested that this was intended to protect the companies concerned, rather than to conceal the action taken against them.

Sun Alliance shares had fallen steeply as soon as its dispute with the Government had been publicised, he said. But if the CBI and Chambers of Commerce would prefer the names of blacklisted companies to be published, the Government would gladly comply.

All-party approach best on race, says Callaghan

BY IVOR OWEN, PARLIAMENTARY STAFF

AN ALL-PARTY approach to immigration and race relations policy still offers the best prospects for the future of Britain, the Prime Minister told the Commons yesterday.

He refused to use "intemperate language" about the recent statements made by Mrs. Margaret Thatcher on immigration, but highlighted the apparent confusion on the issue in the Conservative shadow Cabinet.

Mr. Callaghan called on Mrs. Thatcher to take an early opportunity to clarify official Opposition policy and urged the shadow Cabinet not to depart away from the principles which, up to now, it had upheld.

In particular, he cited the position of U.K. passport holders and the admission of dependents to whom Conservative spokesmen had given "the clearest possible assurances" in the past.

The Prime Minister even succeeded in keeping the Opposition leader in his sights when replying to some light-hearted comparisons between his own position and that of Sir Thomas More, yesterday was the 500th anniversary of his execution.

He stated: "If Sir Thomas had been alive to-day, on such subjects as Northern Ireland, Scottish devolution, immigration and the control of inflation he would not have turned up and run away like Mr. Thatcher."

Earlier, Mrs. Thatcher asked if the Prime Minister totally repudiated the conclusion of the 1975 Labour Party conference that the 1968 and 1971 Immigration Acts should be repealed.

Mr. Callaghan said the Government had never accepted the view expressed by the Labour Party conference. He added: "I hope you will not try to divert attention from the discussion you have started by raising false banners."

In an outburst against Mrs. Thatcher, Mr. William Hamilton (Lab., Central Fife) said her descent into the "political gutter" reflected a lack of principle dictated by equal party political reason.

While declining to indulge in such terms, Mr. Callaghan commented that the Tory front bench appeared to have confused opposition and opportunism. "We are seeing more of the second than the first," he declared.

Scottish by-election call by Nationalists

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE Scottish National Party yesterday called on Mr. Michael Foot, Leader of the Commons, to move the writ for the Glasgow Garscadden by-election, caused by the death of Labour MP, Mr. William Small, three weeks ago.

In a letter to Mr. Foot, Mr. Keith Bovey, prospective SNP candidate for the constituency, said that the normal two to three months' interval between the death of an MP and an election being held was not acceptable in this case.

The pressing unemployment problem, made worse by the loss of more than 1,000 jobs in recent months through the closure of Beattie's biscuit factory, Drumchapel, and the Weir Pump plant at Yoker, demanded that there should be someone to speak for the constituency as soon as possible, he claimed.

Commons procedure suggests that Labour's Chief Whip should move the writ, but the Government is thought to want to delay the by-election until after the Budget in April. Although the SNP would like it held before a policy of full employment,

then, Mr. Bovey said that Nationalist MPs would not consider moving the writ themselves. Although Mr. Small had announced his intention of retiring at the next General Election, the local Labour Party has yet to choose a new candidate. Nonetheless, Mr. Bovey said, he and his colleagues would be able to adopt the selection conference will be held at the beginning of next month.

The present front runner is Mr. Donald Dewar, who was MP for Aberdeen South between 1965 and 1970. He has been nominated by the largest ward in the constituency and by the General and Municipal Workers' Union.

The Scottish Labour Party, which broke away from the official party over devolution, and now advocates independence for Scotland, has said it will field the by-election. One of the party's two MPs, Mr. Jim Sellar, yesterday introduced a draft election policy on jobs, which declared that an independent Scotland, with control of the oil Budget in April, would be able to adopt a policy of full employment.

Anti-terror Bill backed by Peers

A BILL aimed at cutting terrorism's chances of avoiding prosecution by claiming their crimes were "political" was approved in the Lords yesterday.

Peers gave an unopposed second reading to the Suppression of Terrorism Bill which allows the U.K. to ratify the European Convention on the Suppression of Terrorism.

Lord Harris, Minister of State, Home Office, said that the U.K. must ensure that the fight against international terrorism was intensified. To demonstrate "our commitment to this struggle" Britain had to ratify the convention.

Lord Harris declared: "This is the most important instrument to be negotiated in recent years to deal with the problem of international terrorism."

The aim of the convention was to remove the barriers to extradition which was the most certain way of bringing terrorists to justice. It reduced the possibility of terrorists avoiding prosecution by claiming their crimes were political.

Lord Harris said that the Bill in no way affected the power of the Government to refuse extradition where it believed it would result in prosecution because of race, religion, nationality or political opinion.

For the Conservatives, Baroness Elles supported the Bill, but thought the courts would have difficulty determining those fugitives who might suffer on account of their political opinion if sent back to their own countries. There was a delicate balance between protecting lives and protecting rights.

Lord Widdow (Lib.) said it was a major step for 18 countries to sign the convention.

Benefit claims defended

CONSTANT ACCUSATIONS of scrounging against supplementary benefit claimants are putting off many people entitled to money from claiming it, Mr. David Ennals, Social Services Secretary, told MPs yesterday.

He said: "I am very concerned about people talking about supplementary benefit as if it were some sort of handout. Every person is entitled to at least a minimum standard of living."

In a written Commons reply, the Secretary of State outlined the efforts being made to deal with the problem.

A number of "useful" steps were being taken, he said, or considered at local level following a Department of Health initiative. Admission procedures were being streamlined, hospital beds were being more flexibly, and there was greater use of short-stay facilities.

In addition, in the current year, health authorities had set aside £9.5m. within their cash limits for capital projects to cut waiting lists.

Vaccination publicity planned

A GOVERNMENT campaign is to be launched next month informing parents of the benefits and risks of children's vaccinations, including whooping cough vaccine, Mr. David Ennals, Social Services Secretary, told the Commons yesterday.

He added that the Joint Committee on Vaccination and Immunisation supported the continued use of whooping cough vaccine.

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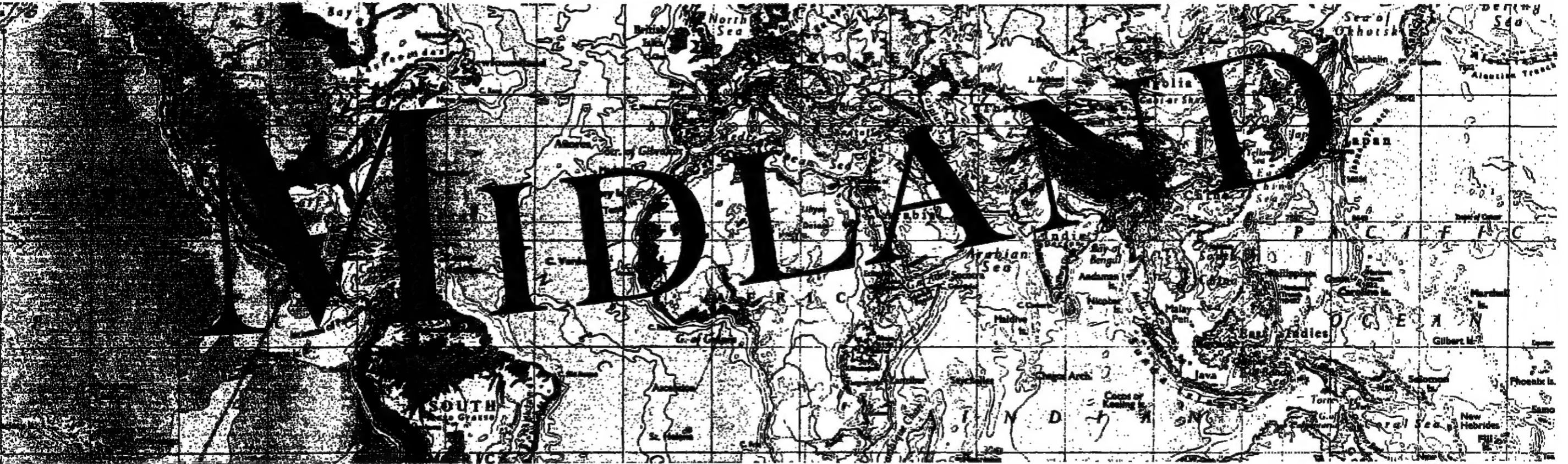
To: Director of Industrial Development, Northern Ireland Department of Commerce, Chichester House, 64 Chichester Street, Belfast BT1 4JX, Northern Ireland. (Belfast 34488, ext. 435) Please send me a copy of "Ask any businessman who's already here". Also send me further details on the opportunities for industrial expansion in Northern Ireland.

Name: _____ Title: _____
Company: _____
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This advertisement contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement contained herein misleading. This advertisement is issued in connection with the application to the Council of The Stock Exchange for the admission of the issued share capital of the Company to the Official List and does not constitute an invitation to any person to subscribe for or to purchase any securities of the Company.

Epicure Holdings Limited

(Incorporated in England under the Companies Act 1929. Registered in England No. 437131)

Definitions. In this advertisement the "Company" means Epicure Holdings Limited; "Slea" Slea Holdings Limited; the "Slea Group" Slea and its subsidiaries, excluding the Company and its subsidiaries, prior to the acquisition of Slea; the "Offer" the offer whereby the Company conditionally agreed to acquire the whole of the issued share capital of Slea; the "Existing Group" the Company and its subsidiaries for the time being prior to the Offer becoming or being declared unconditional; the "Enlarged Group" the Company and its subsidiaries following the Offer becoming or being declared unconditional.

Authorised

£

624,650

625,350

£1,250,000

Ordinary shares of 5p each

Deferred Ordinary shares of 5p each

Issued and to be issued fully paid

£

355,803

625,350

£981,153

At the close of business on 23rd January, 1978 the Enlarged Group had secured bank overdrafts and loans of £1,067,809, a mortgage of £250,000 and hire purchase liabilities of £45,891, making a total indebtedness of £1,363,700. Save as disclosed herein and apart from inter-company indebtedness and inter-company guarantees, no company in the Enlarged Group had outstanding on that date any loan capital, mortgages or charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

1. HISTORY AND BUSINESS

(1) The Existing Group
The Company was incorporated in 1947 with the name Lincoln Hotels Limited and in 1963 the name was changed to Epicure Holdings Limited, following the acquisition of Epicure Investments Limited and its subsidiaries. The Ordinary shares of the Company were first listed on The Stock Exchange in 1947. Through its wholly owned subsidiaries (detailed in paragraph 12 below) the Company is engaged in the hotel and restaurant industry both in Lincoln and London. The Existing Group owns The White Hart Hotel and The Queen Hotel in Lincoln as well as the internationally known restaurant A L'Eau de France close to Piccadilly Circus, London. It also operates a wide range of businesses including a high class catering and interior decorating business and a florist specialising in contract floral displays and table decoration.

(2) The Slea Group
Slea was incorporated in 1964 under the name Slea Property and Development Co. Limited with the principal object of carrying on business as a holding company and a land and property development company. In 1974 the name was changed to Slea Holdings Limited and Slea now operates as a holding company providing management and financial services to other companies in the Slea Group. The Slea Group carries on the following principal activities:

(a) Contracting and Manufacturing
C. J. Elze & Co. Limited is a painting contractor operating primarily in Lincolnshire and Cambridgeshire. The business is in four main fields: military establishments; roadways; local authority, commercial and industrial establishments; and work for the Government. C. J. Elze & Co. (Lincoln) Limited in which R. J. Elze has a direct interest of 50 per cent.
Enfield Chemicals Limited, based in Lincolnshire, manufactures industrial and decorative paints. It is not dependent on any individual supplier for its main raw materials and C. J. Elze & Co. Limited represents approximately twenty per cent. of turnover and no one other customer has a material percentage.

(b) Tarmac Surfacing
Tarmac Contractors (Hickington) Limited specialises in tarmac surfacing and is based in Lincolnshire. Its business comes from the Property Services Agency, local government authorities, other contractors and private customers. The Property Services Agency, a central government agency, provides a substantial proportion of its business. The Company has no long-term fixed price contracts.

(c) Joinery Manufacturing
Lincoln Woodworking Company Limited (75 per cent. owned) is a joinery manufacturer based in Lincoln. The product range includes staircases, door frames and window frames which are sold to the building trade. Following a fire in 1973, the manufacturing facilities of Lincoln Woodworking Company Limited have been completely rebuilt and the Company is now a modern and well equipped manufacturer of joinery products and is also based in Lincoln. These companies were acquired in May 1977.

(d) Property Investment
Property investment is carried on by Flaxwell Properties Limited. The chief investment property is the Southgate Shopping Centre in Sleaford, Lincolnshire built between 1973 and 1976 and consisting of 18 shops units, 1 supermarket and 16 flats. Other than this property, Flaxwell Properties Limited owns various freehold properties in and around Sleaford.

(e) Estate Management and Other Activities
The Slea Group also has interests in grocery and wine retailing, florists, tailoring and outfitting, and contract gardening and estate management. These interests are all in Lincolnshire. The subsidiaries involved in these activities are set out in paragraph 12 below. In October 1976, the Slea Group acquired and managed the Gate Burton Estate, near Gainsborough, Lincolnshire comprising approximately 2,000 acres. In October, 1977 a substantial proportion of this estate was sold.

(f) THE ACQUISITION OF SLEA
On 11th January, 1978, the Company conditionally agreed with the shareholders of Slea to acquire under the terms of the Offer, the whole of the issued share capital of Slea in consideration of the amount, credited as fully paid, of 12,507,000 Deferred Ordinary shares of 5p each in the Company, ranking *pari passu* in all respects with the existing issued Ordinary shares of the Company except that the Deferred Ordinary shares will not entitle the holders thereof to receive any dividends or distributions declared prior to 28th March, 1978. The Deferred Ordinary shares issued in connection with the acquisition of Slea have been issued at 7p per share, valued at £185,000.

The acquisition terms, recommended by Grindley Brands Limited and accepted by the vendors of Slea and approved by the Directors of the Company (excluding R. J. Elze and L. Elze who took no part in the decision), whereby the Company has agreed to acquire the whole of the issued share capital of Slea, took no account of the pre-acquisition price of the Company's shares (see below) or of any potential earnings of Rationale Transmissions Limited.

The Directors have decided to issue, by way of a capitalisation, one new Ordinary share for every two Ordinary shares held in order that the issued share capital should reflect more closely the capital employed in the Enlarged Group. Furthermore shareholders (other than Slea and its Directors) are to be offered the opportunity to subscribe for 5p per share new shares in the Company previously held by Slea.

On 9th November, 1977 when the Board requested the suspension of the Company's Ordinary shares, the market price was 38p (based on the middle market quotation as shown in The Daily Official List of The Stock Exchange). This was subsequently reduced to 22p in consequence of the proposed capitalisation issue and the full acceptance of the additional Ordinary shares being offered to existing shareholders of the Company at 5p.

The Offer is now conditional only upon the Ordinary shares and the Deferred Ordinary shares of the Company, issued and to be issued, being admitted to the Official List and the references to the Slea Group as forming part of the "Enlarged Group" (as earlier defined) are made on the assumption of the fulfilment of that condition.

At an Extraordinary General Meeting of the Company held on 6th February, 1978, all Resolutions were passed and all conditions contained in the various agreements were fulfilled subject only to the requirements that listing be granted by the Council of The Stock Exchange for the whole of the issued share capital of the Company. As part of the above arrangements, Grindley Brands Limited has agreed subject to such listing being granted to purchase Slea's holding of 4,083,678 Ordinary shares of 5p each being 2,722,584 Ordinary shares in the capital of the Company and the balance of 1,361,094 Ordinary shares in the capital of Slea. The purchase price of the Company's shares is to be paid by the issue of new Ordinary shares allotted to Slea in respect thereof pursuant to the capitalisation issue made by the Company on 6th February, 1978. Grindley Brands Limited proposes, subject to such listing being granted, to offer 3,042,202 of such shares to the existing shareholders of Slea, Mr. R. J. Elze and Mr. L. Elze, at 5p per share. It is proposed that the remaining 440,874 shares will be offered to the employees of Slea and its subsidiaries at the same price. The shares to be offered by Grindley Brands Limited will be offered together with the right to all dividends declared or paid on the shares in respect of any financial period of the Company commencing after 30th June, 1977.

(g) REASONS FOR THE ACQUISITION
The Company has been seeking to extend its activities outside its existing hotel and restaurant businesses. The acquisition of Slea with its interest in paint contracting and manufacturing, tarmac surfacing, joinery manufacturing and property investment will create a more broadly based group with larger earnings and assets. The Slea Group has an experienced and well established team and R. J. Elze and L. Elze, as Chairman of Slea, will, as Chairman and Chief Executive of the Company, devote the greater part of his time to the Enlarged Group.

(h) PROFITS, PROSPECTS AND DIVIDENDS
The consolidated profits before taxation of the Existing Group for the year ended 30th June, 1977 amounted to £28,327, compared with losses before taxation of £35,061 for the previous year. This return to trading profitability for 1977 is due to a number of factors, including a modest return to trading and the elimination of the losses caused by the Empire Restaurant, which was sold on 19th July, 1976. The Directors forecast that, in the absence of unforeseen circumstances, the Existing Group's consolidated profits before taxation and the results of associated companies for the year ending 30th June, 1978 will be not less than £25,000.

The assumptions on which the above forecast is based are set out in paragraph 8 below.

(i) The Slea Group
The Slea Group's consolidated profits before taxation for the year ended 30th September, 1977 were £10,766. The analysis of consolidated profits before taxation for the five years ended on that date is set out below:

Profits before taxation

Paint contracting and manufacture 66 70 228 299 293
Tarmac surfacing 71 35 174 119 38
Joinery manufacture (8) 28 (16) 69 (80)
Property investment (9) 28 (16) 69 (80)
Estate management (11) (2) 9 (48) (72)
Other activities 117 131 391 439 78
Profits before taxation and exceptional item 117 131 391 439 78
Exceptional item (see note (ii) below) 117 131 391 439 78

The results for 1977 were affected by the following factors:

(a) Painting contracts and tarmac surfacing contracts were subject to inflationary cost increases which could not be recovered by increased sale prices. All major contracts now have automatic price increases consistent with agreed price index relating to material costs and wage increases within Government guidelines.

(b) The joinery manufacturing results reflect the cost of rationalising production and stock controls following acquisition, allied with an insufficient level of output. The Directors of Slea are confident that the problems were resolved satisfactorily by 30th September, 1977.

(c) The exceptional interest charge relating to borrowings for the purchase of the Gate Burton Estate, which is non-recurring as the specific borrowings were repaid shortly after the year end following the sale of a substantial proportion of the Estate.

The Directors of Slea are confident that the results of the Slea Group's profits before taxation, extraordinary items and the results of associated companies for the nine month period ending 30th June, 1978, will be not less than £25,000.

Extraordinary items have arisen on the disposal of the Gate Burton Estate at a capital profit of £500,000 and will arise on the proposed disposal of shares in the Company by Slea at a capital profit of £14,000. The estimated Corporation Tax on these capital gains amounts to £154,000 giving extraordinary items after taxation of £346,000, all of which is deemed to relate to the pre-acquisition period.

The assumptions on which the above forecast is based are set out in paragraph 8 below. In future the Slea Group will make up its accounts to 30th June.

(d) The Enlarged Group
The combined profits before taxation of the Existing Group for the year ended 30th June, 1977, as shown in the audited accounts, and the profits before taxation of the Slea Group for the year ended 30th September, 1977, as shown in the audited accounts, total £39,093.

The Directors forecast that, in the absence of unforeseen circumstances, the consolidated profits before taxation, extraordinary items and the results of associated companies of the Enlarged Group for the year ending 30th June, 1978 will be not less than £250,000.

The assumptions on which the above forecast is based are set out in paragraph 8 below.

On the basis of this forecast, the Directors expect a final dividend of 0.35p per Ordinary share. This dividend with the associated tax credit at the current rate of 34 per cent., is equivalent to a gross dividend of 0.5p per share for the year ending 30th June, 1978. The Board intends to pay this dividend in or about December, 1978. It is intended that the dividend to be paid to the shareholders of Slea will not rank for any dividends or distributions declared prior to or made prior to 28th March, 1978.

The following table illustrates the estimated appropriation of the profits forecast above, assuming a corporation tax rate of 52 per cent. and dividends of 0.35p net per share on the enlarged share capital of £981,153:

Consolidated profits before taxation, extraordinary items and the results of associated companies

The Existing Group (12 months) 28
The Slea Group (9 months) 10
Taxation 120
Profits after taxation 120
Extraordinary items after taxation 360
Profits after tax and extraordinary items 480
Pre-acquisition 408
Proposed Dividend 72
Retained Profits 65
Earnings per share 0.61p
Dividend 0.35p

The Board intends, subject to unforeseen circumstances, to declare dividends totalling 0.5p net per share in the year ending 30th June, 1978, which including a tax credit at the current rate of 34 per cent., would be equivalent to a gross annual dividend of 0.75p. It is the intention of the Directors to declare interim dividends in or about April and final dividends in or about December.

5. WORKING CAPITAL
The Directors of Slea are satisfied that, taking into account bank and other facilities available, the Enlarged Group will have adequate working capital for its current requirements.

6. DIRECTORS, MANAGEMENT AND EMPLOYEES

Secretary V. M. Ormerod, F.C.I.S., A.C.M.A. Aged 64. Secretary since 31st January, 1968 and associated with the Existing Group since 1948.

Management
The Existing Group
G. H. Townsend Aged 62. Managing Director of Lincoln Hotels Limited.
N. Proulx Aged 52. Managing Director of Lincoln Hotels Limited.
J. A. Webb Aged 55. Managing Director of Lincoln Hotels Limited.
M. Hogg Aged 58. Managing Director of Lincoln Hotels Limited.
J. Pollock Aged 52. Managing Director of Lincoln Hotels Limited.
The Slea Group
W. J. Sainsbury Aged 37. Property Manager of Flaxwell Properties Limited.
A. J. O'S. L. O.B. Aged 47. Director of Linwood & Company Limited.
R. Brasley Aged 47. Director of Linwood & Company Limited.
H. S. Buckley Aged 55. Director of Tyrell Contractors (Hickington) Limited.
M. Callow, F.C.A. Aged 58. Group Accountant of Slea.
J. Chedoke Aged 58. Managing Director of C. J. Elze & Co. Limited.
A. Gregory, A.C.A. Aged 30. Financial Director of Lincoln Woodworking Company Limited.
J. P. Newlove Aged 52. Sales Director of Lincoln Woodworking Company Limited.
J. Scott Aged 52. Director of C. J. Elze & Co. Limited.
R. Tootle Aged 46. Director of Enfield Chemicals Limited.

Employees
Number of employees in the Existing Group 221
Number of employees in the Slea Group 415
Number of employees in the Enlarged Group 636

7. ACCOUNTANTS' REPORT ON SLEA
The following is a copy of a report received from Darsden Farrow the Auditors of the Company and the Reporting Accountants.

5th January, 1978.
11th January, 1978.

(1) INTRODUCTION
We have audited the accounts of Slea Holdings Limited ("Slea") and its subsidiaries (collectively referred to as the "Slea Group") which have been prepared under the historical cost convention, as modified by the revaluation of certain properties, for the period from 1st October, 1972 to 30th September, 1977. The audited accounts for the years ended 30th September 1976 and 1977 are the consolidated accounts for those years. For the period 1st October, 1972 to 30th September, 1975 consolidated accounts were not prepared and audited and the information in this report for that period is prepared from a consolidation of the audited accounts of the Slea Group companies.

The information given in this report is based on the above mentioned audited accounts after making such adjustments as we consider appropriate.
At 30th September, 1976 and 30th September, 1977 Slea held 68.77 per cent. and 67.39 per cent. respectively, of the share capital of Epicure Holdings Limited ("Epicure"). Since this report is being issued in connection with the acquisition of Slea by Epicure it is considered appropriate to exclude Epicure as a subsidiary in the information set out below.

The opinion of the auditors on each of the accounts for the two years ended 30th September, 1977 is expressed as being subject to the availability of tax relief of £485,624 which had been anticipated in relation to tax mitigation arrangements in this Report provision has been made in full for this possible liability, although the relevant computations are still under negotiation with the Inland Revenue. Subject to this, in our opinion the information set out below gives, under the historical cost convention, as modified by the revaluation of certain properties, a true and fair view of the profits and sources and application of funds of the Slea Group for the periods stated and of the state of affairs of Slea and of the Slea Group at the dates stated.

(2) ACCOUNTING POLICIES
The following principal accounting policies have been consistently applied in arriving at the information given in this report:

(a) Consolidation
Accounts of subsidiaries are made up to the same date as those of the parent company, and are prepared in accordance with uniform accounting bases and policies.
As stated above the results and balance sheet of Epicure, whose year end is 30th June, have not been consolidated with those of the Slea Group.

The results of the associated company, Rationale Transmissions Limited, 35 per cent. owned since September, 1976, have not been consolidated with those of the Slea Group since the latest audited accounts were made up to 31st October, 1976 and the share of results to that date is immaterial to the Slea Group.

(b) Turnover
Turnover represents the sales value of goods sold, work done and gross rents receivable by the Slea Group during the period but excludes VAT and inter-company sales.

(c) Stocks and work in progress
Raw material stocks, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of work in progress is represented by materials, labour and the appropriate overhead recovery element.

(d) Fixed assets and depreciation
Freehold land and buildings are stated at cost or subsequent valuation. Other assets are stated at cost less depreciation.
Freehold land and buildings are not depreciated. Other fixed assets are depreciated over periods appropriate to their estimated useful lives.

(e) Deferred taxation
Provision is made using the liability method for tax deferred by accelerated capital allowances and stock appreciation relief. Provision is also made for deferred tax on chargeable gains that would arise if properties were realised at the revalued amounts incorporated in the balance sheets.

(3) PROFIT AND LOSS ACCOUNTS
Year ended 30th September

Notes

Turnover 1,278 1,390 1,986 2,335 3,298
Operating costs 1,181 1,258 1,875 1,996 2,778

Profit before taxation and extraordinary items 97 131 391 439 520
Taxation 1 17 65 201 217

Profit/(Loss) after taxation 96 114 326 238 303
Minority share of Loss/(Profit) in subsidiaries (1) (1) (1) (1) (1)

Extraordinary items 3 59 86 183 223
Profit retained 59 65 141 160 150

Earnings per share 5 £5.87 £6.66 £18.88 £21.50 £24.64

Notes on profit and loss accounts:
1. Profit before taxation and extraordinary items is arrived at after charging:
Profit before taxation and extraordinary items is arrived at after charging:

Year ended 30th September

1973 1974 1975 1976 1977

Depreciation £44 £36 £40 £54 £74
Loan and bank interest 25 25 75 84 267

During the year ended 30th September, 1977 Slea Holdings Limited, a subsidiary of Slea, acquired the Gate Burton Estate, near Gainsborough, Lincolnshire, for £585,000. The net estate running costs and interest for the year ended 30th September, 1977 amounted to £88,000.

Additionally on 13th May, 1977 Slea acquired 75 per cent. of the shares in Lincoln Woodworking Company Limited, and 100 per cent. of Linwood & Company Limited. The losses arising from these businesses from 13th May to 30th September, 1977 amounted to £90,000.

The effect of these acquisitions has been as follows:

Profit of existing businesses £187
Net losses arising from the above acquisitions (90)
Net losses of new businesses (90)

Profit before taxation for the year 11

A substantial part of the Gate Burton Estate has been disposed of since 30th September, 1977 giving a capital surplus of approximately £500,000.

2. Taxation
Taxation is based on the results of the Slea Group for each year. Slea was a close company within the terms of the Income and Corporation Taxes Act 1970 for the whole period, and shortfalls assessments have been raised by the shareholders by the Inland Revenue in respect of the year ended 30th September, 1975 which are currently under appeal. Assessments for Corporation Tax have been raised for years ended 30th September, 1975 and 1976 which are also under appeal pending the outcome of negotiations referred to in the next note.

3. Extraordinary items
Year ended 30th September

1975 1976 1977

£'000 £'000 £'000

Tax mitigation arrangement costs (48) (73) 47
Profit on sale of shares in Epicure (2) (7) (4)
Less: Taxation (48) (83) (43)

The tax mitigation arrangement costs were the net costs, before tax relief, of transactions entered into by the Slea Group intended to reduce the taxation liabilities of the Slea Group.

No allowance has been made in the above statement for the net savings of £485,624, referred to above, which are still under negotiation with the Inland Revenue, and this possible liability is shown separately in the balance sheets.

4. Dividends
No dividends have been paid by Slea in respect of the period covered by this report.

5. Earnings per share
Earnings per share are based on the profit after taxation and the minority interests in subsidiaries but before taking into account extraordinary items. Up to 30th September, 1975 the issued share capital of Slea was 10,000 Ordinary shares of £1 each and thereafter it was 10,367 Ordinary shares of £1 each.

(4) BALANCE SHEETS 30th September

Slea 1977

Notes

1972 1973 1974 1975 1976 1977

£'000 £'000 £'000 £'000 £'000 £'000

Fixed Assets:
Freehold land and buildings at:
Cost 228 429 587 868 912 1,742
Valuation 8 27 21 21 64 51
Long leasehold land and buildings 76 131 124 148 229 401
Plant and equipment 28 309 883 732 1,027 1,208 2,602

Investments:
Epicure 163
Unquoted 1
Subsidiaries 1
307 590 741 1,047 1,417 2,781

Current Assets:
Stock and work in progress 77 217 264 235 292 738
Debtors 184 218 245 454 489 738
Bank and cash balances 60 17 5 2 1

Less: Current Liabilities
Creditors 228 228 385 413 481 938
Bank overdraft 118 203 361 514 633 1,886
Current taxation 387 687 748 827 1,084 2,836

Net Current Liabilities (390) (247) (221) (233) (211) (1,588)
Less: Corporation Tax (10) (27) (96) (85) (83) (110)
Loans (194) (176) (232) (200) (160) (250)

Net tangible assets:
Goodwill arising on acquisition of subsidiaries 67 140 173 315 517 567
Net Assets 120 194 256 397 599 688

Share Capital 8 10 10 10 10 10
Reserves 108 183 244 385 588 638
Shareholders' funds 116 193 254 395 598 648
Minority interests 1 1 1 1 1 20

Capital Employed 120 194 256 397 599 688

Notes on the balance sheets of Slea and the Slea Group at 30th September, 1977:

1. Fixed Assets
Slea
Cost Accumulated depreciation Net book value

£'000 £'000 £'000

28 28 Freehold land and buildings 1,793 1,793
Long leasehold land and buildings 402 1 401
Plant and equipment 770 362 408

Freehold land and buildings includes properties stated at professional valuations of £51,000. The properties were valued in 1975 on an open market basis.

2. Investments
Epicure
Shares at cost 163
Market value at 30th September, 1977 1,007

Under a conditional agreement dated 11th January, 1978 it is proposed that these shares will be sold for approximately £177,000.

Unquoted
Cost of shares in:
Rationale Transmissions Limited (35 per cent.) 24
Polyest Products Limited (5 per cent.) 29

The Directors are of the opinion that the value of the unquoted investments is not significantly different from the amounts at which they are stated in the balance sheets.

The investment in subsidiaries comprised:
Shares at cost 865
Amounts due from subsidiaries 123

Amounts due to subsidiaries 788
186

3. Stock and work in progress
Raw materials 216
Work in progress 216
Finished goods 101

4. Bank overdrafts
At 30th September, 1977 Slea had a bank overdraft of £395,000 and subsidiaries had bank overdrafts totalling £1,531,000 all of which were secured by debentures and inter-group guarantees on the assets of the Slea Group.

5. Corporation tax
The liability of £485,624 arises from transactions referred to in section 3 note 3 above.

6. Deferred taxation
The deferred taxation at 30th September, 1977 comprised:

Slea Slea Group

£'000 £'000

Accelerated capital allowances 10 216
Stock appreciation relief 10 216
Unrelieved property appreciation 10 216
Unrelieved tax losses 10 216

LABOUR NEWS

Attempt to end boilermakers' overtime ban

BY OUR SOUTH SHIELDS CORRESPONDENT

AN ATTEMPT to end the boiler-makers' pay dispute which is crippling the Tyne's nationalised shiprepair yards is to be made on Monday when executives of the district officials of the Boiler-makers' Amalgamation meet senior officials of British Shipbuilders, at Newcastle.

Mr. Bob Lass, district delegate of the union said: "We will be trying for a solution to get our members to lift their overtime ban. Alternatively we will be looking for enough progress to enable the ban to be removed, pending further talks."

The 1,000 boiler-makers in the shipyards imposed their ban a fortnight ago after rejecting a pay offer which included new working arrangements.

The yards have lost overhauls worth £1m. and work is running down rapidly. Another 108 men were laid off yesterday bringing

the total to 969 since Thursday. More men are expected to lose their jobs by the end of the week.

Meanwhile, three more "fair wages" applications for Swan Hunter workers come before the Central Arbitration Committee in Newcastle to-day.

The main hearing involves 3,500 boiler-makers who are trying to catch up on the £540 fair wage award made to 1,700 out-fitters at Christmas.

An argument between boiler-makers and out-fitters over pay differentials lost Swan Hunter its share of the Polish ship order a fortnight ago and resulted in 1,152 redundancies, most of them boiler-makers, on Monday.

Also looking for fair wages awards to-day will be 200 Swan Hunter foremen and about 60 training instructors and supervisors from the Swan Hunter training company.

Engineers may endorse wage target compromise

BY ALAN PIKE, LABOUR CORRESPONDENT

PROSPECTS of industrial action over the engineering industry national pay claim after the failure of negotiations last week will diminish tomorrow if the executive of the Confederation of Shipbuilding and Engineering Unions endorses a compromise wage target.

Talks with the Engineering Employers' Federation failed on Friday after the employers refused to move beyond an offer of new minimum skilled rates of £57 a week in response to a union claim for £70.

However, the union negotiators indicated that they would be prepared to recommend acceptance of £60, which was endorsed by the Amalgamated Union of

Engineering Workers executive yesterday. If the other confederation unions agree on this when they meet tomorrow, it means that only £3 on minimum rates will separate the two sides.

Narrow gap

It is improbable that the unions would embark upon a campaign of industrial action to close such a narrow gap, particularly as many engineering workers do not benefit directly from increases in national rates.

This would leave open two possibilities—the end of the national agreement with all pay bargaining reverting to plant level, or a further attempt by the unions to persuade the federation to

meet its £80 compromise, which would raise the national wage bill by about 4.25 per cent.

The AUEW executive yesterday decided to conduct an election in its new South Birmingham district next month following a High Court ruling on Monday that Mr. Michael Rice, a Left-wing shop steward, was entitled to stand as a candidate for district secretary. Mr. Rice successfully claimed in court that he had been wrongly disqualified. The executive has decided not to appeal.

An election will also be held in another new district—Wolverhampton East—where a potential candidate has also been told he did not qualify. His name will now appear on the ballot paper.

Lucas talks with Poly on jobs

By Lynton McEwan, Industrial Staff

SHOP STEWARDS at Lucas Aerospace announced yesterday a joint scheme to develop technology with the North East London Polytechnic in the face of fears over shopfloor redundancies.

The latest scheme presents management with a list of "socially useful" work, to be based on a centre for alternative industrial and technological systems at the polytechnic.

A grant of £7,000 has been awarded by the Joseph Rowntree charitable trust for 1978 and Mr. Michael George, co-ordinator of the centre, has had talks in Brussels with officials at the European Social Fund. Shop stewards at Vickers, C.A. Parsons, Rolls-Royce, Clark, Chapman, BAC (Preston) and Chrysler are said to have offered support.

Banks agree on staff representation probe

BY NICK GARNETT, LABOUR STAFF

BANK EMPLOYERS, staff associations and the National Union of Bank Employees have agreed broad terms of reference for an inquiry into the problems bedeviling staff representation in the clearing banks.

The Barclays Group Staff Association is still worried about some aspects of the proposals, although it has agreed in principle.

The banks believe that the inquiry could go ahead even if one staff association does not give its firm support.

The terms of reference involve an investigation into the whole issue of negotiating procedures in clearing banks. The Federation of Bank Employees (cover Midland, National West) said yesterday that this would

minister, Lloyds, Barclays and Williams and Glyn's.

Although there are a number of problems to be ironed out before there is formal agreement on holding an inquiry, the banks hope the investigation can begin by the end of the month.

Staff representation was disrupted last year when the NUBS gave notice that it was withdrawing from national negotiating machinery as part of its long-running feud with its associations.

The problem has been brought to a head because the notice is due to come into force next month.

One problem The banks will try to sort out interim representation arrangements to cover the period during which any inquiry is being held. This is apparently one problem the Barclays staff association is particularly worried about.

NUBS said yesterday that it had agreed higher shift payments for computer staff with backdating to the middle of last year. The staff had been threatening industrial action if the shift payments were not improved.

Employers 'pay and keep quiet'

By Our Labour Staff

THE DEPARTMENT of Employment's reliance on Press reports in monitoring productivity deals for breaches of the Government's pay code has made companies dawdling to reveal details of their agreements according to an independent research body.

Drawing attention to agreements with "no publicity" clauses, the review points out that because the Department has insufficient resources to keep up with all productivity bargains, action is being taken only against companies which publicly appear to have made spurious deals.

The researchers contacted 137 major companies and found that a 10 per cent rise on basic rates was accepted as the norm with many settlements adding a productivity deal or a promise of one.

The deals gave average extra rises of 5 per cent, and in some cases payments were linked to guaranteed bonuses, not dependent on productivity.

Pension funds 'misused'

BY ERIC SHORT

MR. TOM JACKSON, leader of the Post Office Workers Union, has described investments by nationalised industries in non-productive enterprises as "a blatant misuse of pension fund resources."

He says that if trade unions obtained joint control of pension funds, they would be more likely to press for socially responsible financial policies.

Writing in Pensions World, Mr. Jackson attacks such investments as British Rail's in works of art, the Electricity Supply fund in the Brighton Marina and British Airways in a farm.

He claims the resources have been created by workers and should have been invested in the manufacturing sector, thereby attempting to halt the decline in British industry.

Mr. Jackson does not mention that the Post Office Staff Superannuation Fund, on which his union has direct representation, has invested in agricultural land or that the other funds he mentions have a 50 per cent involvement through trade unions.

On the question of financing pension funds, Mr. Jackson says the proposal for schemes run by public authorities and nationalised industries to fund the employees' contributions—with the balance split between investment in industry and the rest on a pay-as-you-go system—is worthy of further study.

Such a scheme would increase the self-financing ability of nationalised industries and reduce the demand on the Treasury for capital investment.

TETHER OPENS CASE AT TRIBUNAL HEARING ON DISMISSAL

Columnist denies seeking total freedom

MR. C. GORDON TETHER, the Financial Times writer dismissed after a protracted wrangle over editorial control of his daily column, told an industrial tribunal yesterday that he had never asserted he had complete freedom to write what and how he liked.

Mr. Tether, 64, who claims he was unfairly dismissed 16 months ago, was opening his case on the 15th day of the hearing. He wrote the Financial Times Lombard column for 21 years and now seeks reinstatement. He has rejected the newspaper's compensation offer of full pay until normal retirement age.

Mr. Tether said the Financial Times had argued that the true purpose of his claim was to enable him to continue his argument with it over Press freedom. While it was true that important questions of Press freedom were involved in his dispute, his main purpose was to get his job back.

In deciding whether the Financial Times was acting unfairly in treating the so-called breakdown of the working relationship between him and Mr. Fisher, the editor, as justifying its decision to dismiss him, the tribunal would have to assess who was responsible for that breakdown.

Unwarranted

The Financial Times had sought to say that it was because of his behaviour. But the

problem really arose from the unwarranted attempt by Mr. Fisher to curtail his freedom to write an independent column.

Mr. Tether said that one reason given for the impairment of the working relationship was his alleged failure to abide by what the Financial Times called "normal and usual editorial decisions and procedures."

He contended that during the 20 years of Sir Gordon Newton's editorship, there evolved between them a "custom and practice" contract which did not require him to comply with the so-called "normal and usual" procedures.

What was really at the heart of the dispute was an attempt by the Financial Times to change unilaterally his "custom and practice" contract, by trying to impose working arrangements of a fundamentally different kind from those which previously operated.

Competence

This, he said, began when Mr. Fisher took over the editorship at the beginning of 1973 and proceeded very gradually at first. It culminated in a directive of July 1974, in which Mr. Fisher severely criticised the range of his work by instructing him to confine his column to the "general economic, finance and banking scene."

Mr. Tether alleged that one reason the Financial Times had advanced to justify altering his terms of employment was that

the quality of his work had deteriorated. But the newspaper had not produced any independent evidence to substantiate the allegations about his competence.

Mr. Tether said he would be bringing oral and written evidence from independent witnesses from different walks of life and of different political opinions to testify that there had been no deterioration in the quality of his writing. Some were experts in fields from which Mr. Fisher tried to exclude him on the grounds that he did not have the required expertise.

He said that contrary to a Financial Times suggestion, he had at no time claimed that he had complete freedom to write when he liked, about what he liked and how he liked. It was important to remember that these words had been widely reported in the Press and treated as the central feature of the case.

He said the right of an independent journalist to write consisted of his right to express his own views in his own style. If that right was to be meaningful it must be "hand in hand" with the right to be published.

He was not, however, suggesting this right was absolute. It must be exercised reasonably by the journalist and competently and with an appropriate sense of responsibility.

Mr. Tether added that it was clear from the written exchanges he had with Mr. Fisher that all he had ever claimed was the right

to go on writing a column of the type he had been writing for many years with a sense of responsibility.

It was not part of his case to challenge the editor's right to edit. But he did challenge the assertion that the editor could use his prerogative in any way he chose without explaining his action.

If he did have an absolute right of this kind, there was nothing to prevent him using it unreasonably.

He alleged that counsel for the Financial Times appeared to be saying that because editors were human, and by definition human beings were reasonable, it followed that people could be confident that editors would be reasonable.

Dangerous

"All I can say about that is that if the second of these premises was correct, the world would be a very different place," said Mr. Tether.

For a start there would be no need for tribunals of this kind. It was the very fact that editors were human with all the weaknesses of human beings that made an absolute editorial prerogative so potentially dangerous.

He added that the great weakness of the Financial Times approach to editorial prerogatives was that it failed to see the importance of the difference between giving the editor the right to edit to be exercised responsibly, and giving him the unfettered and unquestionable

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

DATA PROCESSING

Instant data on commodities

INTERCOM, the real-time International Commodity Response system for Commodity markets developed by International Commodities Clearing House, is fully operational using 70 ITT 3280 visual display terminals linked to two IBM 370 computers installed at the ICCCH head office in London.

ICCCH provides a clearing and guaranteeing service in the London commodity markets dealing in coffee, cocoa, sugar, cotton, soya bean, rubber, wool and oils. Although the majority of the 275 members are in the U.K., there is an extensive membership in North America, Europe and the Far East.

Trading information goes to the main computers direct from the market floor through the ITT terminals. ICCCH and those members with terminals (36 are in use outside) are thus able to obtain virtually instantaneous information to trading as it proceeds.

Members linked to ICCCH through Intercom can process business through their visual display units and reserve their own overall position in the same way as ICCCH. A member who also uses ICCCH's services for his client systems can examine his client's positions, in the privacy of his own office, thus using the

Barriers to data flow

TRANSMISSION of information between computers over national boundaries is becoming increasingly restricted by government's legislative moves. Such restrictions threaten the conduct of business by organisations dependent on international communications. Current and potential future legislation and its effects will be the subject of a conference to be run by Online Conferences in Brussels during February.

Under the chairmanship of Jan Freese, Director-General of the Swedish Data Inspection client systems can examine his client's positions, in the privacy of his own office, thus using the

Representatives of the PTIs, international user organisations, private telecommunications carriers and network owners will assemble to discuss the consequences of the new regulations and controls, and the possible costs that the restrictions will impose.

Among current proposals are the licensing of the processing and storage of data held abroad; embargoes restricting the external treatment of certain types of economic and personal data; and the insistence that duplicate files and data processing facilities be maintained locally as a pre-condition to foreign processing. Exemptions for the use of foreign services as compensation for the loss to a domestic data processing industry are a threatened disincentive.

This year will see the expansion and toughening of the Swedish Data Act and the implementation of Germany's Data Protection Act. The French are expected to begin the transitional phases of a data processing and freedom law, and several other European countries are believed to be examining protective or protectionist legislation in this area.

The conference, Trans-national Data Regulation, to be held at the Europa Hotel, Brussels, from February 7 to 9 will be a forum where representatives of government and industry can jointly get a grasp on the issues which they must consider for the planning and management of multinational telecommunications.

More from Usbridge (0895) 36262.

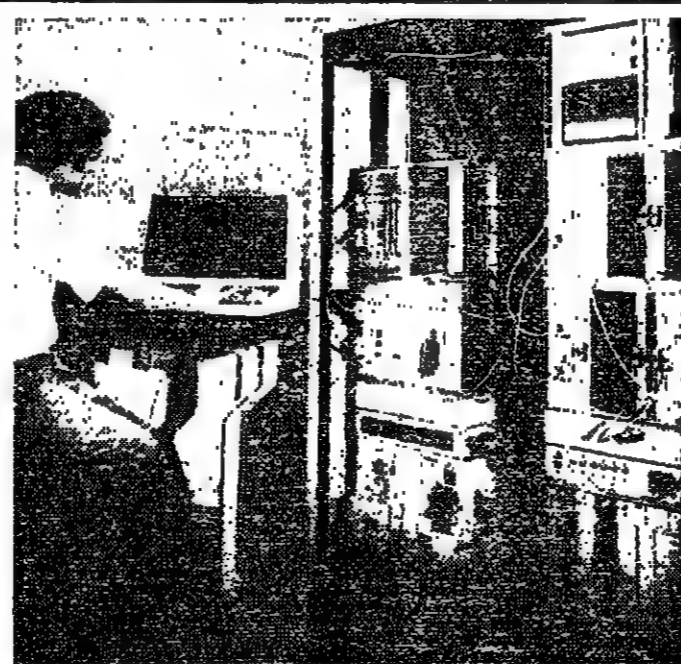
More on one chip

LATEST microcomputer introduction by Intel is the 8049 which, in relation to the existing 8048, has double the on-chip program memory (2048 bytes) and also twice as much read/write static at 128 bytes.

The new device is for "top end" single chip microcomputer applications where the memory of the 8048 is insufficient and would entail the use of external chips. An interesting point is that existing 8048 designs can be upgraded simply by plugging in the 8049 in place of the 8048.

Also being made is a version of the new device without program memory, the 8039.

Both the micros are fully programmable systems able to perform input/output, control and processing tasks at a rate of 400,000 typical operations per second.



An early model of GEC Telecommunications' new SL-1 business communications system, a modern solid-state PBX which has stored program control and digital switching and will be launched at Communicex 78 at the NEC in Birmingham in early April. It has been adapted for U.K. uses from a particularly successful design by Northern Telecom of Canada and GEC is entitled to sell the equipment in a number of export markets. The unit can start at 100 and grow stepwise to 7,600 lines—at which level it would be a particularly large system suitable for Government departments. The equipment has many facilities such as user following, call transfer and so on, and instructions can be fed into the system from local or remote control keyboards. More from GEC on 0203 452152.

HANDLING

Sorts tangled components

AWKWARDLY SHAPED components, particularly those likely to become tangled together, such as small springs and electronic items with leads, can be dispensed to automated assembly lines with an air powered machine developed by Concentric Production Research.

Maximum component size is about 10 x 10 x 40 mm long, and a wide range of weights and materials can be handled. A handful of items is loaded into the machine's hopper, and at the touch of a switch (hand or foot operated) a gentle air blast separates the components and delivers them down five chutes

to a catch pad. Several types of pad are available for the delivery table top to arrest and hold the component, ranging from tacky plastic to ridged rubber, according to the type and weight of component. Feed rate can be varied to suit the operator, and components are only delivered on demand.

The machine measures 462 x 210 x 339 mm high, and requires a mains supply and air at 40 to 100 psi.

More from the maker at Reddick Trading Estate, Sutton Coldfield, West Midlands (021-378 3030).

Loads moved sideways

ABILITY TO move a truck sideways has advantages when loading or unloading at production points, when carrying long loads and when transferring goods to a working level.

A remote controlled electrically powered industrial transporter made by Ernst Wagner KG does this and can turn into an aisle at right angles to its

direction of travel, minimising the need for turning areas.

The truck has a lifting frame which can be programmed to lift or lower loads to preselected levels, and to load and discharge at remote points.

Marketing in the U.K. is by ACR Lift Truck, Chalmers Way, North Fetham Trading Estate, Feltham, Mdx., TW14 0UJ (01-751 0222).

COMMUNICATIONS

Logging the calls

PROVISION of a telephone call logging service to industry through the hire and sale of call information logging equipment (CILE) is the main function of a newly formed company, Bunzi Telecommunications Services (BTS).

It is owned 75 per cent by Bunzi Pulp and Paper and 25 per cent by Automatic Switching, the company which developed and makes CILE.

CILE is a device which when connected to a private telephone exchange collects data (not speech) on both incoming and outgoing calls. The information is logged on a magnetic tape

cassette, then taken to a Bunzi computer centre where the data is processed and analysed to the customers' requirements. CILE is Post Office approved for connection to manual and automatic exchanges.

An example of the information supplied is patterns of traffic loading, costing and selected dialled numbers. The latest unit, the TNA 3, is portable (28 kg) and decodes signals from rotary dials, push button or a mixture. Each unit has a capacity of 120 lines.

BTS is seeking to develop markets for its equipment in Western Europe and the Gulf States. More from the company on 01-641 1232.

CONFERENCES

Ready for Health Act

ON OCTOBER 1 the Regulations concerning the appointment of Representatives and Guidance Notes to Safety Committees will come into effect. The Chief Inspector of Factories has said "managements are neither prepared nor competent to work with them (the Regulations). As a result they may dispute issues when they are organised at the Cumberland Hotel, London, March 2 and 3.

Speakers will include James Tye, director-general, British Safety Council; Prof. Brian Harvey, Department of Safety and Hygiene, Aston University; R. Brighton, director-general, ROSPA; W. J. Simpson, chairman of the Health and Safety Commission; and Gordon Hall, chief safety officer of Rolls-Royce.

Details from European Study Conferences, 31, High Street East, Uppingham, Rutland Leics. LE15 9PY (057282 2711). Fee for delegates is £129.

ENERGY

Fast power factor unit

SUPPLY tariff penalties are frequently incurred by low power factor loads in industry—and it is not always easy to arrange for appropriate capacitors to be switched in at the right times: to this end GEC Measurements has developed Novar, a fully automatic controller.

The unit will be particularly useful where the level of inductive loading on a supply system varies widely over a period. It detects leading or lagging reactive conditions above a pre-set level and offers one, six or 12 stages with the added option

of a master/slave arrangement introducing up to 23 capacitor banks.

Using microelectronics the complete multi-stage controller has been incorporated into a DIN standard 144mm case for panel or wall mounting.

In the event of a supply interruption, all the capacitors are disconnected instantaneously and reconnected step by step only after the mechanism has reset to zero. As a result, the transients which would be injected by restoring a bank of charged capacitors are avoided.

More from St. Leonards Works, Stafford ST17 4LX (0788 3251).

TRACER PHONE

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Cass Electronics Limited
Phone Egham 6266 for information

COMPONENTS

Adjustable speed drive

IN FOOT-MOUNTING or flange form, the first of a range of adjustable speed drives produced by Heenan Drives (a Redman Heenan company).

Called the Motovator, the first drive is rated at 4 kW—later models will cover ratings up to 16.75 kW. On the initial model the speed range is 15:1 when rated at 4 kW with a four-pole motor and at 5 kW with a two-pole motor. Maximum rating for this unit is 7½ kW, when the speed range is reduced to 4:1. Speed is infinitely variable.

The maker says that exceptionally low initial slip produces negligible losses. At maximum speed, a 4 kW input provides an output of 3.9 kW, and this efficiency is stated to be reflected throughout the speed range. Speed control is by thyristor excitation units, and feedback is by an encapsulated shaft-mounted tachometer generator.

The rest of the range should be available by the end of the year—details from the maker, PO Box 52, Shrub Hill Road, Worcester WR4 9BY (0905 32461).

Yellow displays

PLESSEY has announced that a breakthrough in LED design and material capability has yielded the "first solid state numeric display capable of being read in direct sunlight above cloud (100,000 lux)."

The displays emit yellow light at 575 nm and have been developed in conjunction with the avionics industry. The company has used a contrast optimisation technique which, together with the high brightness of the material allows zero error reading rates to be achieved at drive levels of less than 10 mA (mean) per segment.

Both British Standard and defence approvals are being sought for the series, which is called GPD 40 and is fabricated from gallium phosphide. Further standard products are planned.

More from Plessey Optoelectronics and Microwave, Wood Barnet Way, Towcester, Northants (0327 50312).

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The Management Page

EDITED BY CHRISTOPHER LORENZ

The tanker drivers' co-op

BY ROBERT OAKSHOTT

OWNER-DRIVERS of tankers frequently form themselves into co-operative groups, regional sub-groupings, based on a common language and jointly employ a small Paris, Dunkirk and on Nantes respectively, and with a common fleet of just over 450 vehicles. At the peak of its expansion, before the oil price rise in 1973, CTLC was, in fact, slightly larger, with roughly 200 members and just over 500 vehicles. It is clearly the one-man-one-vehicle business which is much more typical of the co-op's central institutions is provided through a requirement that new members must subscribe a sum, recently raised, to Frs.5,000 per vehicle, and by some retention of earnings from previous years.

In money terms CTLC's turnover increased roughly 50 times, from Frs.1.8m. to Frs.78m. (roughly £10m.) between 1961 and 1977. It counts a number of major companies, including Shell and BP, among its customers. Equally, the existence of a waiting list of would-be entrants argues that the membership itself is happy with its co-operative arrangements. Perhaps because the CTLC follows the co-operative principle of one man one vote, while at the same time relating capital subscriptions to vehicles, the imbalance between the single vehicle owner members and the others does not seem to have thrown up any serious problems.

At least so far as the single vehicle owner drivers are concerned, it seems clear, though it may not be demonstrable in statistical terms, that the CTLC members achieve a high level of manpower productivity and do so, not because that is imposed from on high, but because that is what they choose. Of course, as usual, crude comparisons may be misleading. But the fact remains that it is normal oil company policy, in both the U.K. and France, to assign two drivers to each of their own, in-house, tanker trucks. Even if it is true that the average single vehicle owner driver of the CTLC will be helped out from time to time by a friend, a brother, or a son, his operation is still, basically, a one-man affair.

No doubt his vehicle utilisation over a fixed time period is lower than would be the case in an oil company tanker fleet. But given the limited life of tankers, it is hard to believe that the margin of productivity that companies achieve over co-ops can be accounted for by the use of two drivers rather than one. Equally important is the fact that the co-op's single vehicle owner-drivers have chosen how they will work in a much more direct sense than the company's employees.

As well as marketing and invoicing, optional insurance and accounting services are also available. And the co-op helps its members in other less formal ways—by introductions to favourable sources of hire purchase finance and to competitive suppliers of spare parts. Finally, in the Dunkirk and Nantes areas, though not in Paris, the co-op provides limited parking and garaging facilities. Working finance for

the co-op's membership as a whole. And that, of course, has tended to be the model which people have in mind when discussing an extension of the taxi owner drivers' co-op. Altogether 19 people are employed by CTLC in its Paris office. Ten of these are associated simply with the work of the Paris sub-region: the balance forms the headquarters of the co-op as a whole. Of the staff of the two other regional offices are added in, the total labour force employed by the co-op comes to 40. The latest accounts show that the cost to members of the overhead services supplied represented 5.85 per cent of gross earnings.

At a time when groups of road-tanker drivers in the U.K. are pressing claims for wage increases well above 10 per cent, his French experience takes on added interest and relevance, thus concentrate on the essential business of driving the tankers and keeping them in good order.

But though this type of co-operative enterprise makes ad become threatened following CTLC's experience, at first sight the collapse of a substantial less relevant to road haulage transport hiring enterprise. At problems elsewhere, closer in beginning the new co-op had special modifications such as a 20 members. The figure in dispute. The reason is that less

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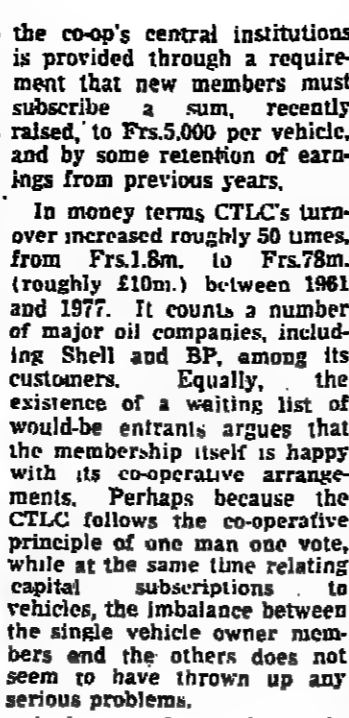
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HISTORICALLY disagreements among members of the accountancy profession in the U.K. have scarcely caused a ripple on placid waters. However, in the last two years or so, a noticeable rift has developed between practising chartered accountants and those members of the professional bodies employed in industry and commerce. The root cause can undoubtedly be attributed to the mounting criticism by industrial accountants of exposure drafts and statements of standard accounting practice. The rift has not yet degenerated into open warfare, although there is evidence to suggest a marshalling of forces through the formation of further local groups of industrial accountants intent on presenting a united and, therefore, more effective viewpoint.

Such documents on a variety of accounting subjects are issued by the Accounting Standards Committee under the auspices of the principal accounting bodies in the U.K., and give warning of the proposed text of an accounting standard and the opportunity for comment from members of the professional bodies and other interested parties. The ultimately published standard embodies the rules relating to the appropriate accounting treatment, and failure to comply usually results in an audit qualification.

Resistance

The imposition of mainly inflexible regulations on any branch of society will usually breed resistance and this is not least in a profession where judgment and opinion predominate in the endeavour to present a true and fair view. Standards were first introduced in the early 1970s and supervised recommendations containing guidelines on good accounting practice. A return to this non-mandatory system would be a retrograde step and there can be no doubt that firm regulations with some form of sanction must be preferable.

However, it is essential that the body entrusted with the formulation of standards is truly representative of the accountancy profession. This does not imply a need for a large unmanageable committee but it does mean that the composition should be such as to represent a reasonable cross section of experience.

Admittedly, through the mechanism of issuing an exposure draft prior to the publication of the standard, ample opportunity is provided for comment between the two stages, but the response rate, at times, has been low. A recent example has been the response to the exposure draft issued in January 1975, which preceded the publication of standards but, not surprisingly,

Sorting out your standards

BY C. W. FOREMAN

SSAP 12 "Accounting for depreciation." Distribution of the exposure draft totalled 6,000 copies and, in addition, the full text was reproduced in full in the professional Press. Comments on the exposure draft were received from only 93 organisations and 14 individuals.

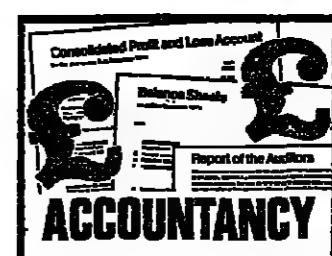
While these statistics may be somewhat misleading in that the organisations were presumably representing the views of many more individuals, they nevertheless illustrate a certain lack of interest and it is difficult to offer a satisfactory explanation.

However, it is encouraging to note that significant amendments to exposure drafts are now being achieved reflecting perhaps the growth in the number of pressure groups and the increasing interest being expressed by affected third parties.

Earlier reference has been made to the fact that non-compliance with a standard usually results in an audit qualification. While qualifications in audit are becoming more commonplace, they are nevertheless references which the recipient will wish to avoid. A company may even be pressurised into adopting a standard which may not be appropriate to its particular circumstances. This is clearly a potentially unhealthy state of affairs and some alternative mechanism must be found to cater for degrees of non-compliance, whether they be minor technical breaches, partial failure to comply, serious departures or flagrant rejection of the standard.

The more serious offences must warrant an audit qualification but there seems no reason why genuine breaches and departures could not be referred to in the note disclosing accounting policies without further reference in the audit report. Indeed, the explanatory forward to the introduction of standards in January 1971 envisaged situations where, for justifiable reasons, standards may not be strictly applicable and departure would be permitted, with an explanatory note, in the interests of the overriding requirement to give a true and fair view.

Standards on accounting practice are not confined to these shores—the profession in other countries is becoming increasingly aware of the need for firmer regulations. In principle, there is a common thread running through most countries' precedents the publication of standards but, not surprisingly,



many of the details differ. Inconsistency of treatment in group accounts where the parent has overseas subsidiaries is therefore a potential hazard. Alternatively, to impose the parent country's standards across the group can result in audit qualifications in the overseas subsidiaries. This could be particularly undesirable if the companies are themselves publicly quoted in their own country.

The ideal solution would be the worldwide acceptance of international standards. Considerable progress towards this goal has already been made by the International Accounting Standards Committee and the regulations published to date differ only marginally from those already in existence in the U.K. However, these differences have caused some confusion and in 1977 the U.K. Accounting Standards Committee resolved that, in the meantime, international standards would only be regarded as advisory and not mandatory.

The present debate on this issue, following closely on the debate of the inflation accounting proposals, now resuscitated by the Hyde guidelines, may suggest that the accounting profession in this country is falling into disarray. This is not the case but there is no denying that basic differences of opinion do exist. These have been amply demonstrated by the recent statements from the influential groups of finance directors and chartered accountants in Scotland, the Midlands and London. In addition, the Law Society has made its contribution to the discussion and considers, inter alia, that the content of company accounts should not be left solely to the judgment of accountants and suggests instead the establishment of a widely representative panel.

With the knowledge of these wide ranging views, the following suggestions for improving the situation are not necessarily all original in thought:

Review

The most encouraging news in recent weeks has been the announcement by the Accounting Standards Committee of the establishment of a small consultative group, equally representative of practice and industry, to conduct a comprehensive review of this controversial subject. The publication of the group's findings and recommendations will be awaited with considerable interest by all members of the accounting profession. In the confident expectation that this opportunity will be taken to tackle the fundamental problems, there seems no reason why the choppy waters should not return to mill pond conditions—draughty exposures permitting.

Mr. Foreman is Director of Finance, Vickers.

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BUSINESS PROBLEMS BY OUR LEGAL STAFF

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A company reduced its Share capital by cancelling £100,000 of its ordinary shares, thereby creating a reserve of £20,000 in the company. Does this constitute a "disposal" by the company, making the reserve of £20,000 subject to Capital Gains Tax? If so, on the company restoring the capital to the original £100,000 amount, by creating £100,000 ordinary shares, would this affect the Capital Gains Tax position? The issue of loan stock upon cancellation of the Preference shares should qualify for exemption from an immediate capital gains tax charge, by virtue of para. 4(2), sch. 7, FA1965. However, there might be an income-tax charge, by reason of s.233(1)(c), ICTA 1970, as amended, for example.

Dissenting shareholder

Can you please tell me how I should make an application to the Court in respect of a notice to dissenting shareholders? I should like to resist the acquisition of my shares in the company concerned, if I could do so without incurring expenses other than postage, etc.

Application would have to be made to the Companies Court in the High Court of Justice, Royal Courts of Justice, London, W.C.2. Application would have to be made in proper form, and it would be wise to consult a solicitor as to the means of doing this. Moreover, there are bound to be expenses beyond those which you envisage (for example, in Court Fees) even if you are able to avoid having to bear any of the legal costs of the application.

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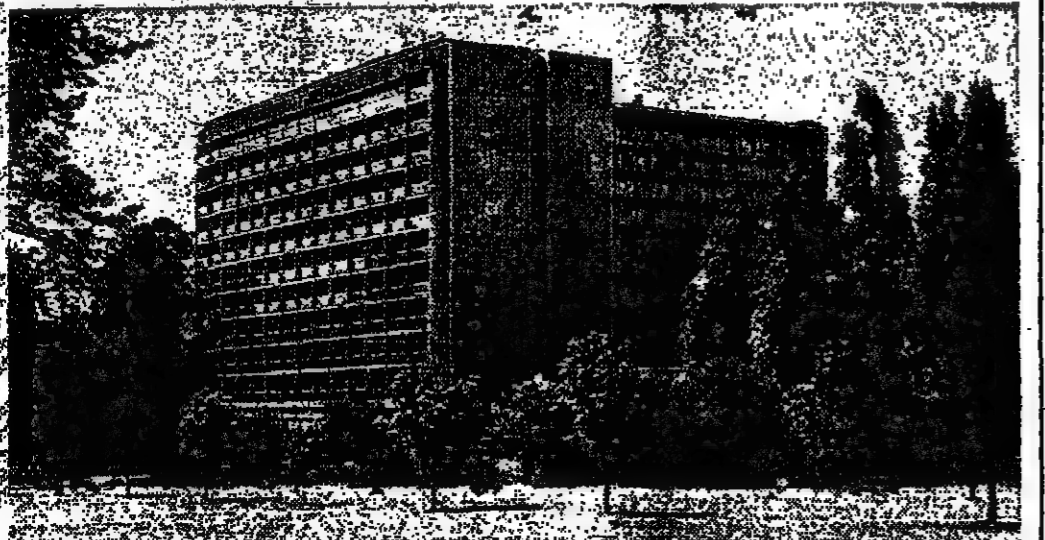
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North Sea fund in the balance

BY PETER RIDDELL

PROPOSALS for a special Government fund to use North Sea oil revenue can all too easily be dismissed as merely a political gimmick. But this would be a misleading oversimplification, ignoring the wider implications both for Government expenditure and for the current framework of fiscal policy.

Admittedly, some of the unexpectedly sizeable support for the idea in the Cabinet can probably be explained by the supposed electoral attractions of having such a fund to demonstrate that the North Sea opportunity is not being "frittered away."

Earmarked

The creation of a special oil fund would, however, mark a major departure from the established British principle that all revenue should be pooled together and individual taxes should not be specifically earmarked for particular purposes.

The existence of a Consolidated Fund has been generally accepted since William Pitt's reforms in 1787. One of the few exceptions to the principle has been the National Insurance Fund.

The traditional view has a lot to be said for it. There is no necessary logical connection between the total amount raised from the excise duty on tobacco and spending on research into lung cancer and its treatment in hospitals.

The most sensible way to make the link between tax and expenditure is at the aggregate level and to decide separately on the political, social and economic priorities which determine the distribution both of spending and taxation.

The revenue from North Sea oil can be seen as being no different from any other sort of tax. Indeed, the oil receipts will not make an enormous difference to total Government revenue. In the next financial year, receipts from royalties, and from Corporation and Petroleum Revenue taxes are unlikely to amount to more than 1 to 1.5 per cent. of total Government revenue, and the percentage may be little more than 4 or 5 per cent. by 1980-81.

There is a strong case for merely saying that the Government can cut taxes by that much more than it would have done or it can increase spending to that higher level than otherwise. The Conservative argument has been that the bulk of the revenue

should be used to help reduce the real tax burden, as Mrs. Thatcher emphasised in her speech in the City yesterday.

On strictly economic grounds there is little case for a special oil fund, but the issue is wider than that. There is considerable concern in Whitehall that the U.K. will somehow catch the Dutch disease which is reckoned to have all kinds of debilitating consequences amounting to wasting the opportunity provided by natural gas. Moreover, the U.K. has already absorbed a large benefit from North Sea gas—around £1bn. in public sector revenue and £2bn. on current account last year—almost without notice.

The desire not to repeat this experience accounts for much of the support for some form of separate accounting for the oil revenue—especially via the creation of a specific oil fund. The hope is that this might help to remind the public that the benefits of North Sea production are only temporary and should not be wasted.

The real question is how such a fund would operate in practice. There is no reason why all the money in such a fund should go into additional public spending rather than into tax cuts. But a special fund is almost certain to have a bias in favour of additional expenditure.

There is also the fundamental problem of determining whether spending financed from this fund would be additional to what would have anyway been spent or would merely be a different label on the same programmes. There are relatively few projects which can logically be tied to North Sea revenue. The obvious example is investment in the replacement of energy resources.

The strongest argument for a special fund might, ironically, be if it turned out to be just a presentational device, serving as a constant reminder of the North Sea revenue. It is a pity, however, that the Cabinet does not appear to be considering whether an oil fund could form part of one of the imaginative proposals to use the revenue—giving the proceeds back to the people via the issue of a marketable equity. This idea is discussed in detail in a forthcoming article in the *Lloyds Bank Review* by my colleagues Samuel Brittan and Barry Riley. The drawback for politicians in such a plan is that it removes from them the rewards of being able to announce tax cuts.

Winter temptations of milder climes

SNOW, FROST and rain are bad news for the early crocuses; there is no merit in treading on the flowerbeds where they are wet, so the spade and hoe must be set aside and the puddles watched helplessly. There are those indeed, a larger minority each year, who believe that we are missing nothing, because the practice is a puritan error, born from gardener's fears of green weeds, but never die. The upshot, they argue, suffers more from being thrown around than from lying low under weeds.

Of course, the view has begun on the farm, where the ruts of the wheels of a tractor may well be a poor companion for the work of a plough. But in the garden, I think to believe it, would strike to my mind, the very roots of virtue. A professor or two now supports it, a fact which may only confirm your suspicions. I cannot be cheered by the thought that bad weather has stopped me from working the ground. Snow and frost revives, instead, a wishful thought, which takes hold of me now and then. When the weather is so vile, I wish I had a garden in the mild south-west. The wish survives a reading of the first in what looks set to be a big new regional series of handbooks on our public gardens.

It could end in a win for Tony Gillam's possibly under-rated Roushbridge challenge, Rambling Artist. A 7,200 guinea Doncaster sales purchase, this excellent chaser, a strong son of Sir Gordon Richards' Grandchild, has already proved that the money was almost certainly well spent.

His last race, particularly, acquired well for the future. Always travelling smoothly and well within himself in Wetherby's Keawick Chase, Rambling Artist forged clear three-quarters of a mile from home to put his length between himself and runner-up Grey-stoke Rambler, from who he was receiving only 1 lb.

I hope that a reproduction of that form over today's additional 31 furlongs— which should present no problem—will see Rambling Artist taking advantage of the 22 lb. he receives from Shifting Gold.

There was a great deal to like about the way in which Victory's Kid landed a 17-runner event at Doncaster towards the end of last month, in spite of drifting ominously in the betting, and I take him to follow up in stronger company when he tackles Bala-bine Brook and 20 others in the second division of the Gorbore Novices' Hurdle.

Earlier, his stable mate, Piccadilly Line could also win his division of that event, in which he has only two fewer opponents.

The Fred Winter-trained Busted gelding, Pardon, a half-brother to the extremely useful Cardinal Error, caught my eye

that planting has never been the far from the mildly incongruous sort of Scots Pice which one expects among drifts of old potters in Bracknell settings.

At their best now are two well-placed maples with red twigs which I would gladly spirit away to my end of England in order to cheer up the winter. Sold as Senkaki, these acers are best, I think, on the acid and mild

ground which the Truro area to a height where I could look back and measure my own years with pride. It is a hopelessly tender tree for most of us, but its delicate leaves live up to the name of *Alnus* in the name of *Saxifraga* in the name of *Alnus*.

It is a tribute, too, to our extraordinary range of country gardens that within a few miles, near Falmouth, you could be in the different world of Killerton, left to the National Trust by the Aclands family who built it up over nearly 150 years. Here the rhododendrons are awesome, not least a lovely mass of the white "Dr. Stocker," one which, favoured gardeners should never omit. But the conifers amaze me.

At Killerton, too, there are Tulip Trees so tall that the tops are beyond clear eye-sight, over a hundred feet high. The pale yellow flowers on a huge magnolia, *Fraxinus*, are no less astonishing than the tree's enormous leaves. There is also, a *Syringa* points out, a fine *Stewartia*, a tree which should indeed be planted more often in gardens which are free of lime and sharp spring frosts. The

lead the field, for my money. The sight of them at home will only confirm the opinion. But see the most startling plant, as the flowers conveniently open in August and the bright autumn leaves and the splendid trunk whose matt green is marked with bright patches of reddish brown. If time is on your side, you should certainly consider this Japanese tree in the garden. At Killerton it is nearly 50 feet high.

In Cornwall, however, Caerhays Castle will always, for me, take the prize. It is a 100 acres big and in a month, if as much, it will be worth visiting, above all for its astonishing *Magnolia*. White Camellia has run wild some up to 50 feet high and massed with countless flowers. The prize one is probably a massive *Veitchii*, named from the nursery which also advised at Killerton. These are trees, I fear, only for young landed gardeners on mild acid soils, but they show up a side to English gardens which visitors, full of Scotland and Ireland, have often forgotten.

The best Chinese shrubs are now in Cornwall: J. C. Williams, their patron at the turn of the century, is now fittingly remembered by a Camellia, massed and still alive in its original bank. Of all the garden camellias these Williams hybrids still

price was given by S. Elsharoff, London, for "Pallies the Potter" by Thomas Heaphy. A private buyer gave £600 for a gift of fruit by Oliver Clare.

Chinese snuff bottle were the offering at Sotheby's large galleries and they fetched £14,880.

An interior-painted bottle went to a European dealer, at £880 and a jadeite bottle sold at the same price to a Mall, London. There were 98 lots unsold, 12 lots unsold. "Minding the Buggy," a rural scene illustrated by a pedlar and his wares WB was bought by the Rutland and the same and a Victorian three-piece tea

set—bulge-bodied and heavily chased—was bought by Venture for £560.

Koopman bought a muffed ale jug with a George III 1768 hall-mark for £540.

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Artist's winning style

HAYDOCK, WHICH staged that fine two-day meeting early last month when Gay Spartan and True Wish won in fine style for the Dickinsons, has another extremely interesting day's racing to do. The feature race is the 31 miles Malcolm Fudge national trial, a five-runner event for which Shifting Gold, Red Run, Tamalin, Tregaron and Rambling Artist are the participants.

It could end in a win for Tony Gillam's possibly under-rated Roushbridge challenge, Rambling Artist. A 7,200 guinea Doncaster sales purchase, this excellent chaser, a strong son of Sir Gordon Richards' Grandchild, has already proved that the money was almost certainly well spent.

His last race, particularly, acquired well for the future. Always travelling smoothly and well within himself in Wetherby's Keawick Chase, Rambling Artist forged clear three-quarters of a mile from home to put his length between himself and runner-up Grey-stoke Rambler, from who he was receiving only 1 lb.

I hope that a reproduction of that form over today's additional 31 furlongs— which should present no problem—will see Rambling Artist taking advantage of the 22 lb. he receives from Shifting Gold.

There was a great deal to like about the way in which Victory's Kid landed a 17-runner event at Doncaster towards the end of last month, in spite of drifting ominously in the betting, and I take him to follow up in stronger company when he tackles Bala-bine Brook and 20 others in the second division of the Gorbore Novices' Hurdle.

Earlier, his stable mate, Piccadilly Line could also win his division of that event, in which he has only two fewer opponents.

The Fred Winter-trained Busted gelding, Pardon, a half-brother to the extremely useful Cardinal Error, caught my eye

that planting has never been the far from the mildly incongruous sort of Scots Pice which one expects among drifts of old potters in Bracknell settings.

At their best now are two well-placed maples with red twigs which I would gladly spirit away to my end of England in order to cheer up the winter. Sold as Senkaki, these acers are best, I think, on the acid and mild

ground which the Truro area to a height where I could look back and measure my own years with pride. It is a hopelessly tender tree for most of us, but its delicate leaves live up to the name of *Alnus* in the name of *Saxifraga* in the name of *Alnus*.

It is a tribute, too, to our extraordinary range of country gardens that within a few miles, near Falmouth, you could be in the different world of Killerton, left to the National Trust by the Aclands family who built it up over nearly 150 years. Here the rhododendrons are awesome, not least a lovely mass of the white "Dr. Stocker," one which, favoured gardeners should never omit. But the conifers amaze me.

At Killerton, too, there are Tulip Trees so tall that the tops are beyond clear eye-sight, over a hundred feet high. The pale yellow flowers on a huge magnolia, *Fraxinus*, are no less astonishing than the tree's enormous leaves. There is also, a *Syringa* points out, a fine *Stewartia*, a tree which should indeed be planted more often in gardens which are free of lime and sharp spring frosts. The

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In Cornwall, however, Caerhays Castle will always, for me, take the prize. It is a 100 acres big and in a month, if as much, it will be worth visiting, above all for its astonishing *Magnolia*. White Camellia has run wild some up to 50 feet high and massed with countless flowers. The prize one is probably a massive *Veitchii*, named from the nursery which also advised at Killerton. These are trees, I fear, only for young landed gardeners on mild acid soils, but they show up a side to English gardens which visitors, full of Scotland and Ireland, have often forgotten.

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GARDENS TO-DAY

BY ROBIN LANE FOX

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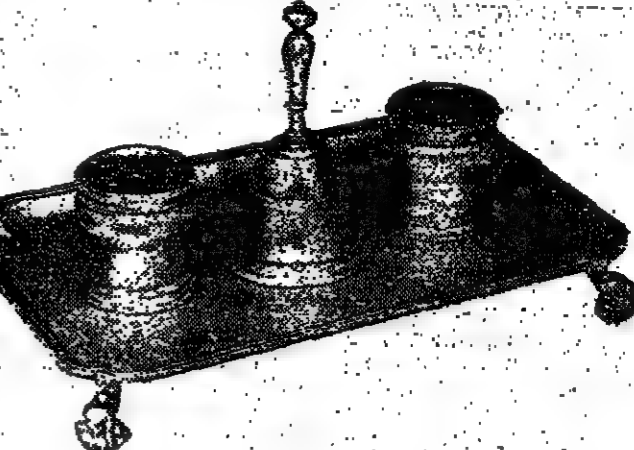
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This George II ink stand by Robert Innes, 1754, in silver and plate, set to an anonymous buyer at Bonhams' yesterday for £860.

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At Christie's

Wednesday February 8 1978

Odd banking figures

THE VERY large rise in the eligible liabilities of the banks—basically their interest-bearing obligations—in a month when a small fall might have been expected is further confirmation that it is very difficult to prevent large foreign inflows from affecting the money supply. This has happened in virtually every country with a strong currency since the dollar began to decline so precipitately, and there is now a clear possibility that it will happen here too. It would take a very sharp fall between now and April to get the figure for the year back within target.

Funding crises

This problem has already been worrying the gilt market, and to-day's figures will further depress its morale. This is only natural, because the market plays a leading role in controlling the money supply, and the figures suggest heavy official selling pressure. Until a new trading level is established, the result is perversely to inflate the money supply further, since the investing institutions tend to withhold their funds and keep them in the banks. The conditions are right, unhappily, for another of the small funding crises which have always punctuated the progress of British monetary control.

However, a pause in funding is hardly a national economic crisis in present conditions. Two years ago any undue rise in liquidity, however temporary, was likely to finance an outflow across the exchanges; the present rise is the result of an inflow in the recent past rather than the cause of an outflow. In addition, the figures certainly exaggerate what is actually happening to the money supply. The banks, for whatever motive—either to finance a rise in loan demand which has not materialised, or to provide against future official action to check the growth of bank lending at source—have been calling in their loans from the discount market and borrowing heavily there. Part of this money is required to back a tranche of their export lending which the Government is no

longer ready to refinance. Part is lying idle in swollen reserve assets. The rise in the money supply will certainly be smaller than the banking figures would imply.

Nevertheless, the figures do suggest that a different way of setting targets, and some changes in present methods of enforcing them, would make for smoother monetary growth. Much of the present disquiet is caused by the fact that the monetary target is expressed in terms of growth in the 12 months up to April. This has left all too little time to offset the sudden jump in the money supply which resulted from the enormous foreign inflows in September and October. If it had been possible to use a rolling target, so that the authorities could have responded by setting a rather more modest growth rate for up to a year after that inflow, the recent figures would have appeared in a much more encouraging perspective. This change may well be made when the present financial year is over.

Somewhat excessive

In addition, reliance on the sale of fixed-interest stock still seems somewhat excessive. The introduction of floating-rate bonds has not attracted buying on a scale which would compensate for swings in the demand for traditional stock. Many operators in the gilt market have been calling for tighter control of the banking system itself to reduce reliance on the sale of stock; an alternative might be further innovations in the stocks on offer. Certainly the experience of the last few months suggests that the present system only works really well as long as monetary growth is well below its official ceiling. The basic assurance that a technical wobble will not derail the whole machine, however, is the Government's continuing commitment to monetary control. This is certainly a political fact. It remains to be seen whether that knowledge will be enough to steady the markets while recent distortions are unwound, or whether the authorities will have to reinforce it with a show of strength.

The Gaullism of Dr. Owen

THE GOVERNMENT'S latest response to critics of its European policy is unlikely to have set their minds at rest. The speech in Brussels by Dr. David Owen, the Foreign Secretary, on Monday night clearly confirms the "non-Gaullist" attitude towards the Community that has caused such concern in other capitals. The parallels with traditional French thinking are striking: rejection of federalism is coupled with an intrinsic confidence in the superiority of British political and philosophical traditions; British fishermen are equated with French farmers; and Dr. Owen appears to be espousing the idea of confederation in Europe—a concept that has been endorsed by successive French leaders.

Distinctive

Many of the points Dr. Owen makes are fair enough. Few people would deny that the British character is distinctive or that an island nation is likely to have a different perspective from its Continental neighbours. It is valid to draw attention to this in the context of the argument over fisheries policy. In which the Community's two island members, Britain and Ireland, have quite different interests from the other countries—interests which they are perfectly entitled to defend. It is perhaps understandable that the Foreign Secretary should once again draw attention to the conflict between "Anglo-Saxon pragmatism" and "Napoleonic philosophy"—though other speakers might more sensibly have chosen to highlight cultural similarities.

Equally, Dr. Owen's general views on the prospect of the Community's enlargement are entirely respectable. His line, which is to accept the political necessity of Greek, Portuguese, and Spanish entry, while stressing the enormous difficulties involved, is identical to that of the European Commission and close to the public positions of most other member states. He is also entitled to his own views on federalism, which he is no doubt correct to describe as a goal that is regarded by most British people as unrealistic, if

not mythical. What he has not done is to give a clear indication as to what further steps towards greater unity the Government would be prepared to accept—if any.

The other EEC countries are not, as Dr. Owen suggests, ready for fully fledged U.S.-style federalism in the foreseeable future. But they do want to develop and strengthen the Community, and they are bound to find Dr. Owen's attitude depressingly negative. It is not just what he says, it is the way he says it. Dr. Owen has a tendency to be patronising to those who do not share his approach: dismissing supporters of the Community's original ideals as "purists," and peppering his speech with scathing references to cant, dogma, theology and "rigid, predetermined views." To Dr. Owen "communautaire" seems to be a dirty word.

Coming so soon after the row between Mr. John Silkin, the Minister of Agriculture, and his partners over the green pound, Dr. Owen's remarks are likely to confirm suspicions in other capitals that the U.K.'s sole aim in the Community is to secure its own ends. That would be a pity. Britain, like any other member, is entitled to fight strongly for its national interests. In the long run however, a persistently aggressive approach can only be counterproductive. Nor is it likely to give the British public a fair picture of what the Community is all about.

Commission

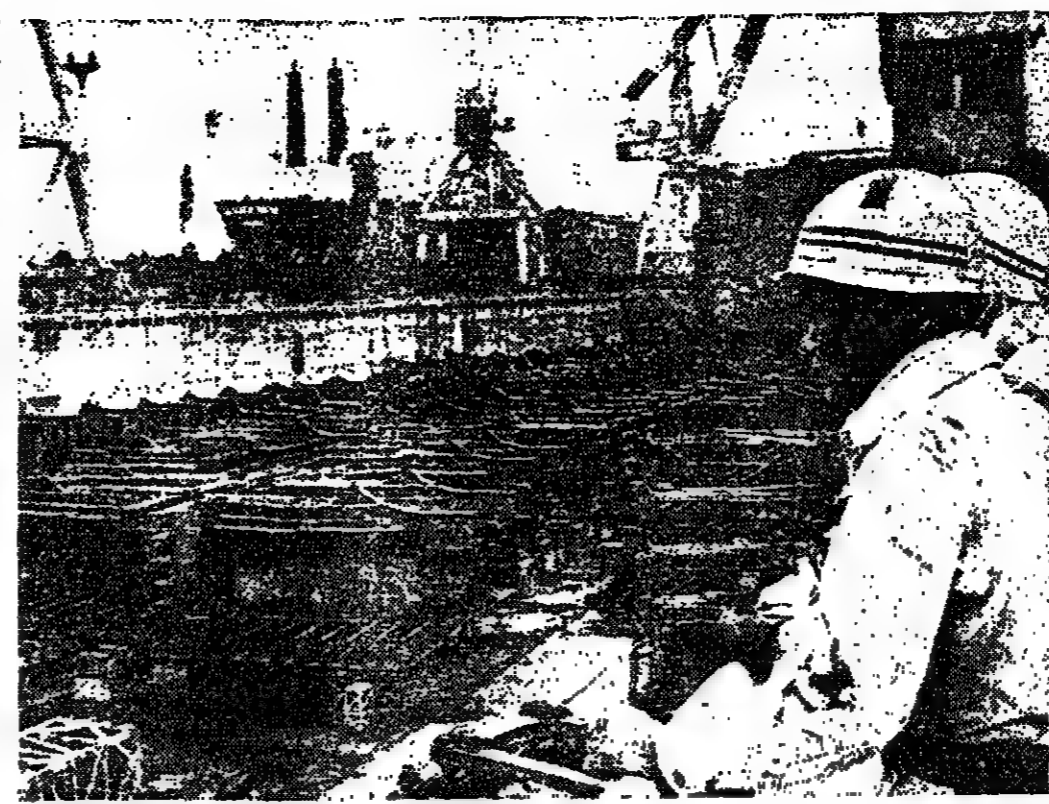
Britain, Dr. Owen says, has a contribution to make. But the most notable omission in his speech is any positive proposal for future action. He says the role of the Commission should be adapted to cope with enlargement, but does not explain how—other than proposing in passing that the number of Commissioners should be reduced. He stresses the urgent problems of enlargement and calls for agreement on how to tackle them by the end of the year. But he has no solutions to offer. His speech may have reassured his Labour Party audience; it is likely to have had the opposite effect elsewhere.

THE CAPTAINS of Japan's shipbuilding industry at Mitsubishi Heavy Industries, are thinking the unthinkable: "I do not think that we shall have to dismiss any workers, but it depends on how bad the situation becomes," Mr. Yutaka Anki, vice-general manager of Mitsubishi's ship export department, admits. Manpower at the five Mitsubishi shipyards has already been pared from 22,500 to around 18,500 at present. The company expects to cut another 2,000 jobs by March 1979. So far, face has been saved in a country where saving face counts in business: no dismissals, and the transfers to other companies have been done within the group, notably from the Nagasaki shipyards to Mitsubishi Motors' car factory at Nagasaki.

Mitsubishi's last supertanker was completed in April. Like all the big shipbuilders Mitsubishi has to adapt to the vacuum caused by the cessation of orders for ultra-large and very large crude carriers. Redundancies have already occurred at many smaller shipyards in Japan. Last month, Mr. Hisashi Shinto spoke for the 23 major shipbuilding concerns grouped in the Shipbuilders' Association of Japan (SAJ) when he recommended (in theory) widespread scrapping of between 50 per cent. and 80 per cent. of installed capacity. What escaped the attention of many commentators was the fact that Mr. Shinto does not speak for the 100 or more members of the small and medium-size shipyards association whose chairman is Mr. Ryoichi Tazawa of Tohoku Dock. Together the smaller yards account for 3m. gross tons of Japan's total 19m. gross tons annual capacity to build new ships. Some of them, like some yards belonging to the big industrial combines, are threatened with extinction.

The damage done by declining ship orders, especially on the domestic market, has already hit the smaller yards with full force. The records of private credit agencies show that during 1977 12 shipyard companies went bankrupt. Some 3,000 employees will have been thrown out of work by the bankruptcies—and many more if the domino impact on the main supplying companies is calculated. The worst failure of the year came in December with the liquidation of Hashihama Shipbuilding. It served as a reminder to all shipyards, big and small, that the industry is in deeper trouble than Government or management realises.

The smaller yards understandably are angry with the Government. Unlike industries which come under the auspices of the Ministry for International Trade and Industry (MITI), shipbuilders are beholden to the much less powerful Ministry of



Clive Goble

Transport (MOT). So far MOT has not managed to get approval for considering shipbuilding as one of the industries going through structural recession: instead subsidies are being funnelled into the textile, steel, aluminium, and other industries protected by MITI. Things may now change: MOT is pushing hard for the inclusion of shipyards on the list of eligible industries under a new Bill going through the Diet to provide relief to hard-hit sectors. According to Mr. Muneto Shashiki, doyen of shipbuilding officials in MOT, the sum of relief money for the entire industry might be as small as ¥10bn. (\$40m.)—a pittance against the bills of big shipbuilders but a sizeable sum to a few smaller yards.

The yards represented by the SAJ have put very specific proposals to the Government which go far beyond the recession relief already under consideration. The main points, according to Mr. Shinto would require Government support for:

1. Scrapping Japanese-owned vessels older than 15 years to create ¥200bn. in new demand for vessels at home;
2. Increased purchase of ocean vessels by the armed forces;
3. the extension of supplier credits to ship exports dominated in dollars (whereas present lending by the Eximbank is restricted to yen contracts which puts all the exchange risks on the shipyard); and
4. as subsidies for scrapping unused facilities.

The most important demand outlined by Mr. Shinto is the one for dollar credits from

Eximbank. Policy in Tokyo has been to charge for ship exports in yen—a policy that has cost the shipyards about 25 per cent. of their price advantage over foreign builders. Some shipyards do conclude dollar contracts, but not when deferred payment is involved. Despite attempts to denominate some that shipbuilders are ready to scrap excess capacity rather than merely to freeze it until world conditions get better. The state of the industry will be discussed at a session of the shipping and shipbuilding rationalisation council in March, and by then both sides will have a clearer picture of how much

JAPAN'S TOP SEVEN SHIPBUILDERS

(Classed by tonnage launches in 1977)

	No. of vessels	Gross tonnage	% tonnage change on 1976
Mitsubishi Heavy Industries	81	1.4m.	-50
Hitachi Shipbuilding	31	1.2m.	-4
Ishikawajima-Harima	62	1.1m.	-38.5
Heavy Industries	34	0.62m.	-36
Mitsui Shipbuilding	29	0.52m.	-49.5
Nippon Kokan	17	0.47m.	-50
Kawasaki Heavy Industries	15	0.38m.	-53
Sumitomo Heavy Industries			

Source: Shipbuilders' Association of Japan

contracts half in dollars, half in yen. Little headway has been made: between April and December, according to the Japan Ship Exporters' Association (JSEA), 87 per cent. of contracts were written in yen and 13 per cent. in foreign currency (usually dollars). The dollar would immediately become the favourite currency if Eximbank credits became available to finance dollar contracts.

The first response, according to officials in the industry has been cool indeed. Tokyo is afraid that such a move might be interpreted as an attempt to undercut European and other shipbuilders by having the Japanese Government run the exchange risks. Still, Eximbank lending plus domestic measures might be forthcoming if the Government became convinced

each will give in return for the other's concessions.

One of the hardest tasks before the council will be to act fairly towards small and big shipbuilders alike. The big yards go into talks with several trump cards. All have already embarked on plans to reduce the weight of shipbuilding in their activities (at Mitsubishi Heavy Industries, ships are only 20 per cent. of turnover now). The big companies also have the technology to go into non-ship vessels: companies like IHI, Kawasaki, and Hitachi are pioneering the construction of floating hotels, paper-pulp plants, water desalination factories, barges, derricks, and assorted other floating factories. The big companies with their supertanker drydocks face heavy losses in 1978 and the bank

ruptcy of some smaller yards is a reminder that the recession in the world ship market has cut as deeply in Japan. The Ministry of Transport forecast new building in fiscal 1977 of 6.5m. gross tons, but between April and December only about 2.6m. had been laid. Moreover, the target for new orders in the 12 months to March has been 5m. gross tons, but at end-December stood at only 2m. tons with only a faint prospect of reaching the half-way mark in March.

The arithmetic of Japan's ailing ship industry is not complicated: statistics for 1977 are testimony enough.

● **NEW LAUNCHINGS:** At the seven "major" shipbuilders, launchings were down 37.9 per cent. by tonnage for 294 vessels aggregating 5.7m. gross tons. The decline in 1975 was 6 per cent., and 27 per cent. in 1976, and the slowdown of domestic launchings was greater than those for export.

● **COMPLETIONS:** 265 vessels for a total 7m. gross tons were completed in 1977, 33.7 per cent. fewer than a year earlier. Of the total, 243 vessels were exported.

● **EXPORT ORDERS:** New orders fell 40 per cent. to 3.5m. gross tons, according to the Japan Ship Exporters' Association (JSEA). As a result, the export order book at end-December stood at 9m. gross tons for 493 vessels valued at ¥1,818bn. (\$7.5bn.). That compares with total annual capacity of 19m. gross tons.

● **CANCELLATIONS:** There has been a steady tide of ship cancellations, especially from Greek owners who could not negotiate revised contracts to avert foreign exchange losses since the sharp rise of the yen. In December, export orders for 15 new ships worth yen 44bn. were to a great extent nullified by the cancellation of 11 ships worth yen 30bn.

● **UTILISATION OF CAPACITIES:** According to the SAJ at its 23 member companies' shipyards this has fallen steadily since the recession in the world shipbuilding market set in. From a peak in 1974, capacity utilisation fell to 39 per cent. in 1975, 73 per cent. in 1976, and an estimated 57 per cent. for fiscal 1977 (to end-February). Officials reckon on the basis of existing contracts that in fiscal 1978 the operating rate will drop to 27.5 per cent. Smaller yards, on their present order books, may fare worse and the top seven shipbuilders uniformly reckon they will do better.

● **JOBS:** Employment at SAJ yards has dropped steeply since 1974 when the big companies counted some 130,000 employees and had subcontracted labour working in the shipyards. At present the SAJ estimates that some 90,000 jobs remain, and that the figure yesterday

could drop to well below 75,000 in the coming year. Dismissals the world ship market has cut as deeply in Japan. The Ministry of Transport forecast new building in fiscal 1977 of 6.5m. gross tons, but between April and December only about 2.6m. had been laid. Moreover, the target for new orders in the 12 months to March has been 5m. gross tons, but at end-December stood at only 2m. tons with only a faint prospect of reaching the half-way mark in March.

For the most part, shipbuilding companies reduce their payrolls by natural attrition. At Sasebo Heavy Industries, management has speeded up the process by offering lump sums as early retirement benefits to 1,600 workers. So far, 1,000 have accepted the terms, and the company has begun negotiations with its bankers to borrow \$20m. to pay them off. Nippon Kokan also offered similar benefits but is also considering a move to bring forward compulsory retirement age from 58 to 55.

In 1978 most builders expect to hold the wages line, but some are ready to ask their workers to take a temporary pay cut. At Sasebo, the request has already been turned down. At Hayashikane Shipbuilding, a smaller yard employing 2,400 workers have accepted a pay cut of at least 10 per cent.

Rather than sack employees, big shipyards try to live them off to subsidiary or affiliated companies. Nippon Kokan has transferred 100 shipyard workers to its bigger steel division, and is planning to farm out another 300 employees to affiliates. Kawasaki Heavy Industries got Isuzu, the car company, to take on 200 redundant men, and will transfer another 300. Mitsubishi has kept its transfers inside the group. So has Mitsui Shipbuilding.

Shipyards have not been taking on new employees for the past 18 months; the exception has been skilled labour and managers to work on new types of ocean-going vessels (including the floating factories). Despite present efforts to cut manpower costs at most yards, the industry is desperately overmanned. Shinto of SAJ reckons that 25,000 jobs may have to be dropped between now and early 1978. Kawasaki has announced plans to cut out a further 2,000 to 2,500 jobs. Mitsubishi may be overstaffed by 5,000, but only plans to cut 2,000 in the next 12 months. Sasebo will immediately eliminate 1,800 jobs but that is only a start. Hitachi and IHI each expect to pare payrolls by at least 1,000 jobs. All in all, the day is not far off when shipyard manpower will be less than half of what it was in 1974 at the big yards, and considerably less at the 100-odd smaller yards. The question remains whether Japanese companies which made the mistake of going too rapidly into building supertankers will now be willing to write off some of the huge docks built, it seems, only

MEN AND MATTERS

Centre Court style in the City

In spite of all her recent lessons in public speaking, Margaret Thatcher was rather nervous yesterday about the prospect of addressing over 200 international bankers in what host, Orion Bank chairman David Montagu, rather disparagingly described as the "cafeteria" of Plasterers Hall.

She need not have worried. It all came over loud, and clear and slowly: the message in praise of liberal economics and the virtues of capitalism sounded like sweet music in the ears of the bankers I spoke to afterwards.

Nevertheless it was a fairly unnerving experience. "It reminded me of tennis at Wimbledon," Mrs. Thatcher confided to me afterwards and explained how she felt obliged to swivel to face first one side of her facing audience and then the other. I can imagine how she felt. The sombre-suited, all-male audience hardly moved a muscle throughout her speech, although they clapped her soundly enough at the end. Most impressive of all was Walter Seipp, chief of the West-deutsche Landesbank Girozentrale foreign department after the post-Poullin reshuffle: he sat on her right. But Seipp was full of praise for her emphasis on greater incentives to stimulate private enterprise and approved her comments about the inequity of pressing virtuous nations like Germany and Japan to engage in inflationary policies just to bail out the slingers.

Even two gentlemen from the Bank of India found nothing to object to in her economic analysis. But when I asked whether her appeal for a resurgence of national confidence was not perhaps part and parcel



"And so, apparently, has every Silver Shadow!"

of her approach to national identity in other fields, they just smiled ambiguously and said "perhaps."

... and a replay

After her sortie into the City, the Tory leader will soon show her resolve to keep the common touch by repeating that much-publicised goodwill stroll among the East Enders. Her guide once again will be Monty Modlyn, professional cockney and jack-of-all media. He told me yesterday that Mrs. Thatcher has suggested: "Let's do it again." Modlyn declares himself "only too honoured." Although he declares himself entirely non-political, Modlyn talks about Mrs. Thatcher in terms close to idolatry. He says that after their last joint she remarked: "You'd do the same for Mr. Callaghan, wouldn't you?" Well, would you, I asked. "He seems more interested in India these days," replied Modlyn. Hard words

from a man who was once a Labour councillor in Bow.

Sinking funds

I was intrigued to see a slight "slip of the mind" revealed by the press department of British Rail Sealink in Glasgow. It issued two almost identical notices in as many days about its intention to bring the 2,800-ton Darnia on to the Stranraer-Larne ferry route. The first announcement suggested that Sealink had "acquired" the vessel.

But this word was dropped for the second release, which like the first, explained that the British Rail shipping line was chartering the Darnia from shipowners James Fisher. When I yesterday asked the press office to explain, it took over behind the favourite old formula of "purely an internal administrative hiccup." But there was at least at the subconscious level, a reason for it: British Rail had in fact sought permission to buy the Darnia for a sum believed to be in the region of £7.5m. last year; when this news was carried to William Rodgers, Transport Secretary, and Gerald Kaufman, Industry Minister responsible for shipbuilding, they were less than delighted.

The reason, as explained to a subsequent Cabinet committee, was that the dear old Darnia had been built in Austria and fitted out in Constanza, Romania. Not so good, even if she were a bargain, as Kaufman is busily appealing to the patriotism of British shipowners in the private sector to put their orders into domestic yards. Sealink protested that it needed the ship quickly, off the peg, and explained that to charter the same vessel would cost at least £200,000 a year more than to buy it. But with

purchase out of the question, that is exactly the course it took. Whitehall challenges the £200,000 figure, but agrees its decision has put Sealink out of pocket. All in the good cause of propping up British shipbuilding, I suppose. But will British Rail just grin and bear it—or will they now seek an increase in their own subsidy to cover it?

Black victim

This week, Tanzania is freeing more than 7,000 political prisoners, in an amnesty to mark the first anniversary of the founding of the ruling Revolutionary Party. But one man about whose fate there is silence is Andreas Shipanga, a political leader from Namibia (South West Africa). He has been held without trial in a remote Tanzanian jail, following conflict within the Swapo nationalist movement two years ago. Shipanga was arrested in Zambia, then flown secretly to Tanzania when *habes corpus* proceedings were started. Last April, my colleague Joe Rogzly wrote about Shipanga's case and suggested that Dr. David Owen should intercede with President Julius Nyerere. I gather that this later happened, but no clear reply was received. Shipanga's wife, Esme, sits and waits for news in Nottingham Hill Gate, London. She said last night: "I fear that if the amnesty were to have included by husband, I would have heard by now."

Swallow this

Man destined to succeed: down in Devon, one of the sales representatives for Beechams is called Fred Pill.

Observer

Building Products Manufacturers

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COMPANY NEWS + COMMENT

Second half slowdown trims Imps £1.2m.

WITH WEAK second-half trading conditions restraining profits in all divisions pre-tax profit of Imperial Group ended down from £130.33m. to £129.12m. in the year to October 31, 1977, despite half-time predictions of somewhat higher profits.

The tobacco division showed a decline in its trading surplus for the year from £81.7m. to £80.3m. while all other divisions increased earnings, with the paper, board, packaging and plastics division lifting 81.2 per cent. from £8.9m. to £16.2m.

Directors say that falling consumer purchasing power at a time of pay restraint was the one factor which particularly influenced most divisional interests.

Total sales of the group climbed from £2.87bn. to £3.2bn., and investment income increased from £16.8m. to £20.5m.

At half-time profit was up from £65.4m. to £67.5m. before tax.

The trends of the second half year have continued in the first three months of the latest year and trading results to date are lower than for the same period last year, but in line with group estimates, directors say that there are prospects for an improvement in trading conditions in 1978 it is too early to forecast the outcome for the full year.

Capital investment for the latest year of £100m. has been provided for, with £30m. to be spent on its Berkshire brewery. Last year spending totalled £70.1m.

Maximum dividend

A final dividend of 3.41p against 3.31p net per 25p share takes the total to a maximum permitted 3.66p (5.08p). The total dividend payout will be £39.97m. (£35.78m.).

Overseas sales in the year totalled £372.3m. (£338.2m.) and profits were down from £15.1m. to £13.7m. Exports from U.K. amounted to £51.9m. (£37.3m.).

An analysis of overseas sales and profits shows Europe with £132.1m. (£117.7m.) of sales and profits of £4.8m. (£3.6m.), U.S. £18.7m. (£16.5m.) and £4.3m. (£3.7m.), Canada £34.2m. (£21m.) and £2.4m. (£1.7m.), Australasia £12m. (£16.4m.) and no profit (£0.2m.), and other areas £24.3m. (£15.4m.) and £2.2m. (£1.7m.).

For the first time more than half the group's trading profit came from non-tobacco interests, which contributed 33.9 per cent. of the total.

Directors ascribe the fall in the tobacco division earnings to lower volume sales which reflected the changing pattern of trade and a smaller U.K. cigarette market. Intense price competition, particularly in the king size sector, also affected margins.

The paper, board, packaging and plastics division there was a good recovery from the depressed conditions of previous years, but the paper and board companies still suffered from the general weakness in the U.K. economy and board also suffered from heavy subsidies by foreign governments. Plastics interests performed

well, as did Mardon Packaging International, an associate company, which contributed significantly to the division's surplus.

Food results would have been better still but for the overall decline in food consumption in the U.K. The strengthening of sterling also adversely affected overseas results on translation. These operations account for 30 per cent. of the division's total sales.

The cost of many raw materials rose and poultry meat sales volumes in the U.K. and U.S. declined, while labour disruption affected sales and profits.

The profit is before tax of £27.61m. against an adjusted £34.04m. last time, and net profit comes out at £101.5m. compared with £87.3m. After minority interests of £0.3m. (£0.4m.) and extraordinary profits of £5.83m. (£18.09m.) attributable profit is £107.03m. (£100.56m.). Earnings per share before tax are shown down from 18.4p net per 25p share to 18.2p and at 14.3p against 12.3p after tax.

The group's accounts for 1977 reflect the adoption of the new treatment for deferred tax, which has reduced this provision from £33.3m. to £13.8m. The reduction in the tax charge from £43.2m. to £11.8m. was mainly owing to higher levels of capital allowances and stock relief in 1977.

A balance sheet with the results shows short term borrowings ahead from £137.7m. to £190.1m., and directors say the rise was due to higher operating capital requirements, including that required to finance two further increases in tobacco duty in 1977. Short term borrowings have been falling since the balance date and at January 31 stood at £113m. The new tax system introduced to harmonise EEC structures provides for duty to be paid at a later date than previously, reducing the burden of financing the duty.

Listed investments increased in market value by £43.1m. to £270.9m. in the year. Adjustments to results under the "Hyde" guidelines reduce profit at the retained level from £87m. to £14m. Imperial directors say they have reservations about the rigidity under the guidelines of the formula for calculating the gearing adjustment.

See Lex

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Setback for Saville Gordon

METAL MERCHANTS, processors and engineers' merchants, J. Saville Gordon Group, reports a drop in pre-tax profits from £431.83m. to £202.033 for the half year to October 31, 1977, on lower turnover of £5.47m. compared with £12.32m. Tax takes £105,037 against £234,933.

The directors say that the stockholding interests continue to make satisfactory progress during the second half but the metal trading and processing interests are still operating in a market adversely affected by a low level of demand.

The interim dividend is maintained at 0.4p net per 10p share. Last year's total was 1.45p and pre-tax profits came to a record £0.94m.

Members are told that the results in no way reflect the high level of activity and successful trading that took place during the period.

The tube and fittings, steel stockholding and engineering merchants companies all made an increased contribution to profits. It has been in metal trading and processing that losses have occurred caused almost entirely by a reduction in stock values, together with a fall in demand. Metal prices have fallen considerably during the period, and the requirements of steel works have been greatly reduced due to the international situation in the steel industry, to a level lower than at any time since the war.

Early in November, the group completed the disposal of its interest in Metalec, operating in Düsseldorf, West Germany. This company has sustained losses for the last two financial years.

comment

J. Saville Gordon is being squeezed on all fronts and a 55 per cent. pre-tax profit drop in the first half follows a 10 per cent. decline in the preceding six months. About a third of group profits is traditionally generated from sales of raw materials to steel manufacturers and here the group has faced most pressure. Steel output in the U.K. fell by almost 8 per cent. last year while German manufacturers were similarly hit by the worldwide decline in steel demand; meanwhile metal prices have slumped and the group has taken a thumping

stock loss. Stocks have been written down by more than £200,000 in the nine months to the end of January and all of this has been taken into first half figures—which should mean that stock losses will be, at least, less severe in the second half. There is still no sign of any major recovery in steel demand but manufacturers' stocks of raw materials are at very low level and any quickening of demand may help prices. Elsewhere the engineering merchanting division has slightly increased its profits in the first half (to around £200,000) but trading here is also generally flat and group full year profits may be only around £500,000 (£924,776). The shares at 19p yield almost 12 per cent. while the p/e on a full tax charge is 7.8.

Unitech jumps 46% midterm

AN IMPROVED contribution from its manufacturing companies enabled Unitech to expand pre-tax profits by 46 per cent. from £707,100 to £1,123,400 for the half year to December 3, 1977, on external sales ahead by 28 per cent. to £13,25m.

Mr. P. A. M. Curry, the chairman, states that while the sales pattern of the distribution companies has been relatively flat, the group has been fortunate in obtaining the Texas Instruments franchise for Italy and the Intel franchise for France.

The strong demand for the company's manufactured products is being maintained and as a result, Mr. Curry looks forward to reporting a further significant advance in second-half profits.

For the whole of 1977-78, a record £2.1m. surplus was achieved. Stated half-year earnings advanced to 4p (2.7p) per 10p share and the interim dividend is raised from 1.3p to 1.45p net—the previous year's final was 2.31p.

comment

Unitech's first half results—profits up 47 per cent. on sales 28 per cent. higher—puts the company comfortably on course for another record year with the manufacturing interests offsetting the rather flat distribution side. Electronic components are a growth area at the moment and Unitech has managed to increase volume sales by more than a fifth which is above average for the industry and suggests a useful gain in market share. This reflects buoyant demand from telephone equipment manufacturers, and steady replacement business from the Post Office while increased activity in the heating expenditure programme for the modernisation and improved reliability of plant, particularly semi-fabricating plants, is underway.

Sales for the year were £206.9m. (£227.3m.) and earnings per £1 share are shown ahead from 7.6p to 32.6p, and attributable profit at £11.1m. (£2.8m.).

Warner Ests.

Warner Estates, which recently reported record pre-tax profits of £708,250 for the year in the end



Mr. John Pile, chairman of the Imperial Group—second half affected by weak trading conditions and this situation has continued in the current year.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total last year
Claverhouse Inv. Trust	3.3	March 9	3.2	3.2
Dowty Group	2.21	March 31	1.98	4.18
Imperial Group	3.41	March 4	3.32	5.07
Saville Gordon	0.4	April 3	0.4	1.45
Unitech	1.45	April 1	1.3	3.61

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Recovery seen by Alcan (U.K.)

The 1978 outlook for Alcan Aluminum (U.K.) is one of some recovery from the depressed levels of the second half of 1977, directors said yesterday. This recovery will be necessary to maintain the 1977 profit level.

Audited results showing an increase in pre-tax profit for 1977 from £10m. to £24.7m. were released yesterday. Unaudited figures and the 9.9p per share dividend were announced last month.

Directors say a £34m. capital expenditure programme for the modernisation and improved reliability of plant, particularly semi-fabricating plants, is underway. Sales for the year were £206.9m. (£227.3m.) and earnings per £1 share are shown ahead from 7.6p to 32.6p, and attributable profit at £11.1m. (£2.8m.).

Warner Ests.

Warner Estates, which recently reported record pre-tax profits of £708,250 for the year in the end

ISSUE NEWS AND COMMENT

Epicure returns to the market

The prospectus is published will show a profit not less than £25,000. The prospectus is published in connection with the reorganisation of Epicure Holdings following the deal with its former parent Slea Holdings amounting to a reverse takeover.

On Monday shareholders in Epicure cleared the way for Epicure to acquire Slea for 12.5m. of new Deferred Ordinary shares. Slea was owned by the Brealey family who will now control some 65 per cent. of the enlarged group. Mr. Reginald Brealey, who is chairman of Epicure, was also chairman of Slea.

Epicure was established in 1947 and carried on business as a hotel and restaurant group including the famous A L'Écu de France in London.

In the summer of 1976 Slea bought control of Epicure from the rump of Sir Denis Lawson's empire.

Later that year Epicure bought a 35 per cent. option in a business called Rationale Transmissions, which was working on a revolutionary new gear box.

The shares rose rapidly on hopes for the new gear box and in 1976 topped the market league with a dramatic jump of 450 per cent. to 341p.

However, the gear box came to nothing in practical terms and Epicure did not take up the option to buy the 55 per cent. stake from Slea. Even so when the shares were suspended last November they still stood at 33p.

Slea, incorporated in 1964, is a holding company based in Lincolnshire with interests in paint, contracting and manufacture, tarmac surfacing, joinery manufacture, property investment and estate management.

After three years of losses Epicure made a profit of £28,327 in the year to June 30, 1977. This small recovery was due to a general improvement in trading and the elimination of losses caused by the Express Restaurant sold in July, 1976.

The directors forecast that the results for the year to next June will show a profit not less than £25,000.

Profits of Slea in the year to September 30, 1977, were £20,000. In the previous year they were £439,000. The reasons for the net back were twofold. Painting and tarmac surfacing contracts were subject to cost increases not recoverable under the terms of new Deferred Ordinary shares. The £20,000 losses from joinery reflected rationalisation costs following the acquisition of that activity.

The directors forecast that the nine months to June 30, 1978 profits of Slea will be £225,000. So for the enlarged group—Epicure—earnings per share will be 0.81p. They are also indicating a final dividend of 0.33p per share for the current year. In the following year to June, 1978, they are forecasting a dividend of 0.5p per share.

The pro-forma balance sheet shows a net assets of £2,200,000 including goodwill of £161,000. The net bank overdraft is shown at £214,000 and secured loans at £302,000.

Brokers are Capel-Cure Myers.

comment

Adjusting for the deal with Slea, Epicure's suspension price of 33p comes down to an equivalent of 13p, but the shares are unlikely to open anywhere near that level once dealing restarts. Market sources were expecting the price to open in the region of 40p.

On the profit and dividend: a cost price of 7p indicates a yield of 11 and yield of 7.1 per cent. Adjusting the profit forecast upwards by the value of a full year's dividend forecast takes the yield up to 10.5 per cent. A 7p the rather would look reasonably generous, though the market is unsure as to the likelihood of demand from local investors in the Lincolnshire area. Buying from that source might send the shares even higher.

Prospectus pages 10 and 11.

Yearlings rise to 8%

The coupon rate on this week's batch of local authority yielding bonds at 8 per cent. is 4 of a point higher than last week. This makes for a full point rise in two weeks. The bonds are issued at par, and due on February 14, 1978.

This week's issues are: Davenport District Council (£1m.), East Lothian District Council (£1m.), Sedgemoor District Council (£1m.), Gwynedd County Council (£1m.), Tayside Regional Council (£1m.), Barnsley Metropolitan Borough Council (£1m.), Chester-Le-Street District Council (£1m.), Cumnock and Doon Valley District Council (£1m.), Northampton Borough Council (£1m.), London Borough of Waltham Forest (£1m.), Arun District Council (£1m.).

Kyle and Carrick District Council is raising £1m. by the issue of 11 per cent. bonds at our dated February 2, 1978.

There are two variable rate bonds this week issued at par and due on February 3, 1978. Borough of Tamworth is raising £1m. and

Borough of Blackburn is raising £1m.

Interest will be 4 of a point over Libor with the first year payment at the rate of £4.0875 per cent.

NEW LOANS FOR TRUST COMPANIES

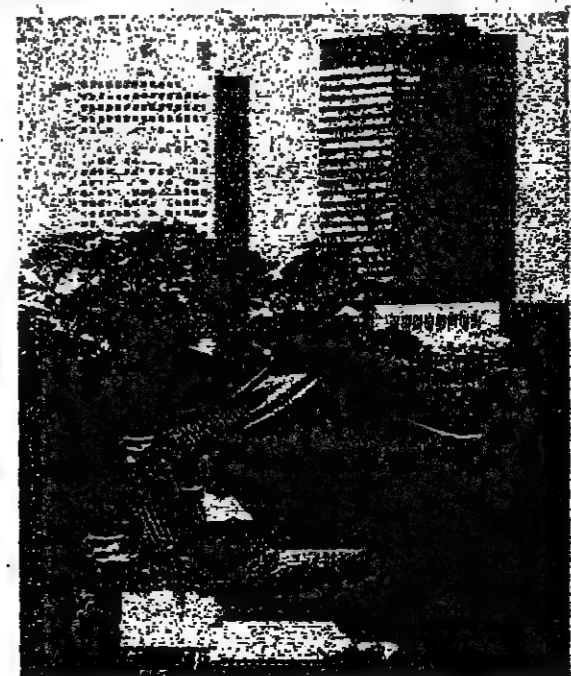
Scottish Northern Investment Trust has borrowed from CIBC Bank £2m. for an initial period of one year at 8 per cent. London Trust Company is negotiating a further current loan of \$0.51m. for six months through its bankers.

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BIDS AND DEALS

Tubes sells 50% of HP offshoot

The investment has agreed to sell 50 per cent of its motor cycle purchase subsidiary in Tubes. The subsidiary is Raleigh Industries (RIGP), which is to be placed on the London Stock Exchange. The investment has agreed to sell 50 per cent of its motor cycle purchase subsidiary in Tubes. The subsidiary is Raleigh Industries (RIGP), which is to be placed on the London Stock Exchange. The investment has agreed to sell 50 per cent of its motor cycle purchase subsidiary in Tubes. The subsidiary is Raleigh Industries (RIGP), which is to be placed on the London Stock Exchange.

AMEX EXPANDS IN NORTH OF ENGLAND

AMEX Roadstone Corporation, the aggregates, precast concrete and civil engineering subsidiary of Consolidated Gold Fields, has acquired for £2.5m the privately-owned Harrogate Group of companies. The big while small in monetary terms, the acquisition expands considerably the group's presence in the North of England.

LETRASAT IN AUSTRALIA

Letrasat International, the art materials group, has purchased for some £450,000 (US\$500,000) all the net assets of Garlin Art and Design, Sydney. Garlin is said to be the largest art and drawing office materials and its purchase by Letrasat, an Australian art materials retailing chain, will increase Letrasat's outlets in Sydney to four and in the whole of Australia to eight.

Second Broadmount 8% bids for alternatives

War of words is hotting mission: Lockheed and Co. Prime between Chieftain Trust and Clark; Adrian Volker Group and the Board of U.K. Dew and Co. and Broadmount Investment Trust. The investment trust of Chieftain has suggested the U.S. mission as a prelude to action under its own management.

ELSWICK-HOPPER IN GERMAN LINK

Elswick-Hopper has joined with West German agricultural equipment manufacturer Karl Becker to form a new British company. Known as Elswick-Becker, it will import Becker seed drills and cultivation equipment and market these throughout the U.K. Announcing this development, Elswick-Hopper chairman, Mr. J. L. Turner declared that the new company was well suited to the group's expansion plan. Becker's equipment was already handled by the group's agricultural machinery distribution companies in Yorkshire and Humberside.

ZIFFLYNN/GODFREY'S

Zifflynn announces that acceptance of its offer for 5,845,724 Ordinary shares of Godfrey's (88.58 per cent). The offer is unconditional and will remain open until further notice.

LAWTEX

Lawtex, clothing and umbrella manufacturers, has acquired Pinner Handles and the business of Peerless Umbrellas. The vendors are Kendall and Sons of Leicester, the umbrella and raincoat manufacturers and retailers.

SPILLERS

Spillers has completed the acquisition of Modern Maid Food Products of the U.S. for an aggregate cash price of some £15m.

SHARE STAKES

Ally Potts and General Investment Trust, London, Trust has acquired a further 30,000 shares of the company, increasing its holding to 44,000 (7.6 per cent).

PROBES

Roy Hatterley, Secretary of the Committee for Prices and Consumer Protection, has suggested that the market for the following: 1. 100,000 shares, representing 6.2 per cent of the Monopoly Capital, be sold.

MONEY MARKET

Small assistance by the willingness of the authorities to buy bills to assist the market in conditions which were not too difficult.

Other market sources suggested that conditions would be more settled with firmer guidance from the authorities, however, and that the market has tended to become increasingly dominant dictating the trend of interest rates in recent months.

Money was in slightly short supply yesterday, and the authorities were happy after very tight term prospects after the small amount of Treasury bills sent, and eased to 2.5 per cent at the close.

Rates in the table below are nominal in some cases.

1. 100,000 shares, representing 6.2 per cent of the Monopoly Capital, be sold.

2. 100,000 shares, representing 6.2 per cent of the Monopoly Capital, be sold.

Dowty expands to £11m. in first half-year

PRE-TAX PROFITS of the aviation, mining, industrial, and electronics concern Dowty Group for the half-year to September 30, 1977, advanced from £8.5m. to £11.0m. on turnover ahead from £17.2m. to £24.1m. The results include the Ultra Electronics division from April 1.

The directors say that the order position for the group as a whole has improved substantially with each division making a contribution to the growth. Prospects for the remainder of this and next year are therefore most encouraging, they tell members and current financial resources are adequate.

The Ultra Electronics division contributed turnover of £2.48m. and trading profit of £719,000. This compares with the interim results of the previous year of £5.13m. turnover and £277,000 trading profit. Interest payments on the half-year include £143,000 on the cash element of the Ultra acquisition.

Before including the Ultra results trading profits improved by 18 per cent, despite some reduction of profit in the mining division due to an industrial dispute, since settled. A continuing strong dividend position helped to minimise interest costs.

Basic earnings are shown at 8.5p (7.4p) per 30p share and the interim dividend is lifted from 1.55p to 2.5p per share (1.12m.). The increase in cost reflects the issue of 5,437,870 shares as part of the Ultra acquisition for £11m. and 2,707,851 shares issued on conversion of 7 per cent Convertible Unsecured Loan stock on September 30, 1977.

The Ordinary dividend total for all 1977-78 was 4.18p, costing £2.37m. Pre-tax profits for the year were a record £18.06m.

	Half year	Year
Turnover	£17.2m	£24.1m
Operating profit	£1.0m	£1.5m
Trading profit	£1.0m	£1.5m
Interest paid	£1.0m	£1.5m
Profit before tax	£1.0m	£1.5m
Tax	£1.0m	£1.5m
Net profit	£1.0m	£1.5m
Extraordinary profit	£1.0m	£1.5m
Dividends	£1.0m	£1.5m
Retained	£1.0m	£1.5m

See Lex

ULS Marine settlement

The manufacturer of the CETUS unmanned submarine, ULS Marine, announces that by far the greater part of the action brought against it by McElhanney Offshore Surveying and Engineering of Vancouver, Canada, alleging misuse of McElhanney's confidential information and breach of certain copyrights has been withdrawn.

FORMARA EXPANDS

Formara, the Southend-on-Sea, Essex, based specialist printers which has shown rapid growth in recent years, announces a further extension of its activities with the installation of a web-offset press. The company has hitherto specialised in the printing of technical manuals, computer listings, directories and reports. The new press will be capable of producing 50,000 impressions per hour.

ART GALLERIES

AGNEW GALLERY, 41, Old Bond St., London W1, 10th ANNUAL WATER COLOUR EXHIBITION, Feb. Mon-Fri, 9.30-5.30, Thurs. until 7.30. **ART FOR INVESTMENT: FOUR YOUNG REALITY** by the RADLEYs. 141, Watling St., Radley, Herts. Tel. 0454 210. 10-11.50. 25th Feb. to 10th March. **CITY OF LONDON ART EXHIBITION**, Guildhall, E.C.2, Mon-Sat, 10-5, until 25 Feb. **COLMAGHILL**, 14, Old Bond St. W.1, 491. **SEBASTIAN RICCI** in Britain, and of the UNITED ART RESTORATION, 201 & 203, Mon-Fri, 9.30-5.30, Sat. 10-11.

THE ART GALLERY, The Mall, S.W.1. **PRINTINGS BY SHEILA NOBLE**, 10-5, Sat. 10-11, until Feb. 19.

STONEY STREET GALLERIES, 155, Stoney St., W.1. Modern paintings, sculpture, bronzes, 1000-1200, 1200-1400, 1400-1600, 1600-1800, 1800-1900, 1900-1950, 1950-1970. Wide range of prices. Tues-Fri, 10.00-5.30, Sat. 10.00-1.00.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends proposed are interim or final and the sub-divisions shown below are based mainly on last year's results.

TODAY
Interim—Decca, Munda Supplies, Benetton Price, United Dominions Trust, Whigam Roadstead.
Final—Dunlop, Premier Investment Trust, English and New York Trust, First and Malinsom, Trust Houses Forte.

FUTURE DATES
Final—MFI Furniture Centre, Feb. 14.
Interim—MFI Furniture Centre, Feb. 14.
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Treasury pays £22m. on account

THE COMPENSATION payment on account of £22m. to companies whose shipbuilding and aircraft interests have been nationalised was made by the Government yesterday through the issue of a tranche of 81 per cent Treasury stock 1981.

This follows the announcement by Mr. Gerald Kaufman, the Minister of State for Industry, on January 25 that a payment on account had been authorised.

The stock, issued at a rate of £100 nominal stock for every 200 of compensation, is repayable at par on April 1 and October 1.

In accordance with schedule 3 to the Aircraft and Shipbuilding Industries Act 1977 interest on this issue of stock will be treated as accruing as from the date of issue, in the case of aircraft industry securities, and July 1 in the case of shipbuilding industry securities.

So a special interest payment will be made in respect of the stock issued yesterday covering, in the case of stock issued as compensation on account for aircraft industry securities, the period from April 29, 1977 to October 1, 1977, and, in the case of stock issued on account for shipbuilding, the period from July 1, 1977 to October 1, 1977.

The stock issued yesterday will rank for a full six-month interest on April 1, 1978 to cover the period from October 1, 1977. The issue will not be distinguished from 81 per cent Treasury Stock 1981 already in being.

Those companies to whom the payment has been made include Vickers, GEC, Hawker Siddeley, the Laird Group, London and Overseas Freighters, Swan Hunter and Yarrow.

The closing price of the 81 per cent stock was 200, but fell sharply in after hours dealing.

SHANDWICK GROUP

The head and registered office of Shandwick Communications and Shandwick PR Company is now at 31, Green Street, London, W.1 (Telephone: 01-491 4568).

ELECTRA TRUST

Electra Investment Trust is considering a proposal that the 6 per cent Debenture stock 1984-88 be repaid at £80.75 per cent.



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'Sure, I need to take on extra people. Where do I find the money?'

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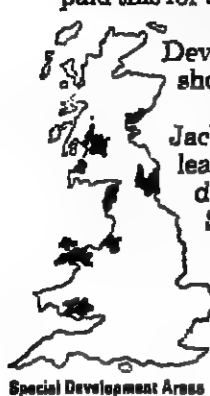
If on March 29th 1977 you employed under 50 people, then every extra person you take on in a Special Development Area could get you £20 a week subsidy.

If you own a private manufacturing company in a Special Development Area you may be entitled to financial help from the Government.

Under the Small Firms Employment Subsidy, you could be paid £20 a week for every extra person you employ full time. And you could be paid this for up to 26 weeks.

See if your firm may be in a Special Development Area by referring to the map showing approximate locations.

If so, send the coupon now, or phone Jack Bellis on 01-214 8335 for the explanatory leaflet on the Small Firms Employment Subsidy. This gives details of how you qualify for the scheme and specifies the Special Development Areas.



Special Development Areas

Small Firms Employment Subsidy

Department of Employment DE

Please send me details of the Small Firms Employment Subsidy Scheme, and the Special Development Areas.

Name _____

Company _____

Post to: Jack Bellis, Small Firms Employment Subsidy, PO Box 702, London SW20 8SZ, or telephone him on 01-214 8335.

Address _____



Provincial assets up 26%: top £1bn.

ASSETS OF Provincial Building Society showed a record 26 per cent. growth from £862m. to £1,090m. in 1977, with reserves up £7m. at £53m. representing a ratio of more than 4 per cent.

Investment receipts, net of withdrawals, soared by more than 300 per cent. to £15m. (£45m.) with the number of new investment accounts jumping 37 per cent. from 107,000 to 146,000.

New mortgage lending was 14 per cent. higher at £216m. (£189m.) and the number of new mortgages rose from 20,600 to 23,500, including 9,200 (9,000) first-time purchasers, bringing the total number of mortgages outstanding to 147,000 (139,000). In addition 5,000 advances were made to existing borrowers to finance home improvements.

During the year the Society opened 15 branches raising the total to 172.

The Society's growth policy recognises the need to retain a higher proportion of stable investment. This is essential if it is to maintain lending at a level which reflects the public's increasing preference for owner occupation, says Mr. Dennis Howroyd, the chairman.

Later Mr. Alan Mason, general manager, said that with 500,000 surplus housing units, of which over 300,000 are owned by local authorities, Britain's housing problem has changed to one of housing management, location and distribution.

There is much more the building societies can do, if they were allowed by the Government, to give real assistance by helping speed inner city renewal schemes and by helping make these schemes largely self-financing.

He commented that if building society deposits were taxed in the same way as bank deposits then Provincial's deposit rate would only fall from 8.3 per cent. to 7.3 per cent. before tax. This would still be 24 times higher than the banks'.

Nat. Mutual of Australasia

The National Mutual Life Association of Australasia has lifted its bonus rates on U.K. and Republic of Ireland with-profit business. On U.K. individual life contracts the rate for 1977 is £36 per mille of sum assured and attaching bonuses, compared with £35 per mille in 1976. The terminal bonus rate payable on death or maturity claims is substantially increased to £10 per mille of the sum assured and attaching bonuses for each year in force except the first five years £2 per mille previously. This increase more than restores the cut made in 1976 to terminal bonuses. On individual pension arrangements, the bonus rate is lifted to £42 per mille of basic pension and attaching bonuses from £37 per mille and the terminal bonus is increased to £12 per mille from £9 per mille for each year except the first five.

For business in the Republic of Ireland, the reversionary bonus rate on individual life contracts is lifted to £33 per mille compounded from £32 per mille and on pension business to £39 per mille from £34 per mille. The company is also paying for the first time a terminal bonus on claims. For life policies this is £5 per mille of sum assured and attaching bonuses for each year except the first five and £6 per mille on pension contracts.

Life Assocn. of Scotland bonus up

The Life Association of Scotland, a member of the Nationale Nederlanden Group, has declared record bonus rates for 1977. On the compound bonus series the rate on new code pension schemes, pension arrangements and self-employed contracts is lifted to £4.50 per cent. of the sum assured (or basic pension) plus attaching bonuses from £4.25 per cent. for 1976.

For all other participating contracts the new rate is £4.25 per cent. compounded compared with £4 per cent. previously. On the closed simple bonus series, the rate is increased to £5 per cent. of the sum assured from £4.75 per cent. previously.

On group pension policies, the cash bonus is fixed at £1.70 per cent. of reserves held, compared with £1.50 per cent. previously. Under the long term accumulation plan the bonus rate is maintained at 1.5 per cent.

Capital and Retirement bonus rates are maintained at their 1977 levels.

Mr. J. M. Souness, general manager of the company, stated that this was the fourth consecutive annual bonus declaration where the bonus rates had been increased. During the same period, the growth of the company's business had been above the market average in line with the policy to outstrip inflation.

These levels of growth and bonus declarations resulted from the high investment profits achieved in recent times and he looked forward to a buoyant life and pensions market in 1978 with the present growth rate to continue.

Claverhouse Trust ahead

Net revenue after interest and expenses of Claverhouse Investment Trust increased from £510,588 to £592,958 in 1977.

Gross revenue was £813,487 (£540,178) and the result is subject to tax of £200,587 (£179,224).

Earnings per share are given at 3.83p against 3.51p and net asset value per 30p share is shown ahead from 73.71p to 104.55p. A final dividend of 2.3p takes the total to 3.53p (3.23p).

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

	Jan. 18, 1978 £m.	Change on month £m.
1-Banks		
Eligible liabilities		
U.K. banks	23,378	+579
London clearing banks	2,549	+43
Scottish clearing banks	788	+7
Northern Ireland banks	1,937	+76
Accepting houses	6,245	+17
Other		
Overseas banks	2,810	-39
American banks	2,335	-1
Japanese banks	2,517	+57
Other overseas banks	182	+4
Consortium banks		
Total eligible liabilities*	41,632	+799
Reserve assets		
U.K. banks	3,185	+118
London clearing banks	333	+6
Scottish clearing banks	116	+10
Northern Ireland banks	356	+6
Accepting houses	944	-80
Other		
Overseas banks	658	+25
American banks	39	-4
Japanese banks	497	+48
Other overseas banks	47	-10
Consortium banks		
Total reserve assets	6,174	+114
Constitution of total reserve assets		
Balances with Bank of England	370	-30
Money at call	2,194	+132
Discount market	275	+8
Other		
Tax reserve certificates	1,770	-278
U.K. Northern Ireland Treasury Bills	66	-36
Other bills	687	-23
Local authority	311	-121
Commercial		
British Government stocks with one year or less to final maturity		
Other		
Total reserve assets	6,174	+114
Ratios %		
U.K. banks	12.0	+0.1
London clearing banks	13.1	-0.1
Scottish clearing banks	14.8	+1.2
Northern Ireland banks	28.4	-0.4
Accepting houses	16.1	-1.3
Other		
Overseas banks	17.3	+0.8
American banks	16.3	-1.1
Japanese banks	19.7	+1.8
Other overseas banks	25.9	-1.2
Consortium banks		
Combined ratio	14.8	-0.1
N.S.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	493	+114
2—Finance houses	338	+8
Eligible liabilities	34.7	+0.3
Reserve assets	10.3	-0.1
Ratio (%)		
Special deposits at January 18 were £1,104m. (up £17m.) in bank, and £10m. (up £1m.) for finance houses. *Interest-bearing eligible liabilities were £27,942m. (up £1,187m.).		

London Clearing Banks' balances

as at January 18, 1978

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business

of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures

produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of 'Co-ops', a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m.	Change on month £m.
LIABILITIES		
Sterling deposits:		
U.K. banking sector	4,398	-265
U.K. private sector	24,992	+125
U.K. public sector	778	+178
Overseas residents	2,138	+97
Certificates of deposit	2,378	+38
of which: Sight	34,704	+162
Time (inc. CDs)	14,366	+117
Foreign currency deposits:	20,539	+46
U.K. banking sector	2,456	-111
Other U.K. residents	866	-57
Overseas residents	19,264	-216
Certificates of deposit	1,029	-68
Total deposits	50,328	-310
Other liabilities*	8,125	-158
TOTAL LIABILITIES	58,454	-468

ASSETS

Sterling		
Cash and balances with Bank of England	1,892	-198
Market loans:		
Discount market	1,997	+341
U.K. banks	5,134	-455
Certificates of deposit	1,174	-57
Local authorities	1,152	+20
Other	548	+38
Total	9,396	-95

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL	CHANGE ON MONTH	BARCLAYS	CHANGE ON MONTH	LYDONS	CHANGE ON MONTH	MIDLAND	CHANGE ON MONTH	NATIONAL WESTMINSTER	CHANGE ON MONTH	WILLIAMS & GOWNS	CHANGE ON MONTH
LIABILITIES												
Total deposits	50,328	-310	13,972	+265	9,484	-440	10,363	-58	14,823	-101	1,888	+1
ASSETS												
Cash and balances with Bank of England	1,892	-198	351	+13	130	-97	225	-104	288	-48	87	+1
Market loans:												
U.K. banks and discount market	10,203	-141	2,633	+107	2,464	-232	1,637	+7	3,497	+80	371	-1
Other	9,436	-229	2,618	-19	2,441	+5	1,570	-60	3,716	-142	316	-1
Bills	1,597	-290	321	-11	217	-88	783	+27	243	-208	54	-1
Special deposits with Bank of England	794	+19	245	+1	216	+7	177	+4	230	+4	38	+1
British Government stocks	2,109	+65	524	+34	412	-73	317	+32	666	+50	198	+1
Advances	26,042	+506	7,712	+223	3,943	+101	5,910	+70	7,597	+112	288	+1

* Includes items in suspense and in transit.

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL	CHANGE ON MONTH	BARCLAYS	CHANGE ON MONTH	LYDONS	CHANGE ON MONTH	MIDLAND	CHANGE ON MONTH	NATIONAL WESTMINSTER	CHANGE ON MONTH	WILLIAMS & GOWNS	CHANGE ON MONTH
LIABILITIES												
Eligible liabilities	28,242	+590	7,214	+213	2,417	+137	5,550	+17	6,128	+178	894	+1
Reserve assets	2,169	+119	884	+34	469	+9	707	-7	827	+24	122	+1
Reserve ratio (%)	12.6	+0.1	12.6	+0.6	13.7	-0.3	13.7	-0.3	13.5	+0.3	12.6	+0.1

The Republic of Venezuela

U.S. \$178,000,000

Private placement of Promissory Notes, maturing 1980 to 1985, to finance the purchase of real estate by the Republic of Venezuela from Centro Simon Bolivar C.A., Caracas, Venezuela.

Managed and placed by

Bank of Credit and Commerce International S.A.
BCCI Finance International Ltd.
Credit and Finance Corporation Ltd.
Kuwait International Finance Co. S.A.K. (KIFCO)

BRAID GROUP

MOTOR VEHICLE DISTRIBUTORS

Results at a glance

	1977	1976
Turnover	£200	£200
Profit before taxation	25,649	20,569
Profit retained	906	613
Earnings per share	345	190
Dividend per share	6.99p	4.08p
	1.38p	1.23p

- * Increased sales and market share.
- * Increase in pre tax profits of 48%.
- * Maximum permitted dividend.

D. C. Bamford, CBE, Chairman



BRAID GROUP

MINING NEWS

Copper price fall hits Bougainville profits

BY KENNETH MARSTON, MINING EDITOR

NEVITABLY, the weakness of the market for copper has made its impact on 1977 earnings of the Rio Tinto-Zinc group's big Bougainville copper-gold mine in Papua New Guinea. The net figure dropped to K41.57m. in 1977, a final dividend of 4 pence (2.3p) against 10 pence for 1976.

	1977	1976
Revenue	124,329	114,685
Sales, financing and other costs	34,325	31,183
Depreciation	2,480	2,375
Royalties	40,073	60,073
Leasing	1,177	1,091
Exchange gain	2,177	81,077
Earnings before tax	13,724	26,323
Tax	2,521	4,128
Net earnings	11,203	22,195

Copper sales last year rose to 182,025 tonnes from 179,881 tonnes, but the average price of the metal in U.S. currency fell to 59.3 cents per lb against 62.6 cents in 1976. Gold sales also increased, reaching 22,333 kilograms compared with 20,494 kgs in the previous year, while the average metal price rose to \$148 per ounce from \$125, silver sales increased to 37,043 kgs from 36,065 kgs.

Overall sales revenue was only slightly less than in 1976, but the change at 73p in London yesterday.

While it was not expected that Bougainville would match its 1976 performance, the latest results are disappointing. The outlook for the current year is hardly encouraging as far as copper is concerned, with prices running well below the 1977 average.

However, a ray of hope comes with the news that Japanese buyers have returned to their full level of contractual deliveries from Bougainville and have indicated their desire to take some tonnes in 1978 which had been deferred in previous years.

And, of course, the higher bullion price will boost the mine's important revenue from gold production which, incidentally, exceeds that of South African mines such as Blyvoor, St. Helena and Kloof.

Bougainville shares were unchanged at 73p in London yesterday.

Grace-Hanna in new coal deal

Reporting from Canada...

IN HIS latest dispatch from the Canadian mining scene our man in Toronto, John Sopach, points out how the fall in company earnings is depressing dividend payments.

His reports that the compilation by The Financial Post shows that total mining distributions last year fell to \$Can.218.7m. (\$148.2m.) from \$Can.347.8m. in 1976 and the 1977 record of \$Can.453.8m.

On the other hand, the total of payments by all Canadian companies in the Post's compilation rose to \$Can.2.51bn. from \$Can.2.68bn. in 1976. Industrial and public utilities accounted for \$Can.1.54bn. (\$Can.1.44bn. in 1976); oil \$Can.430.8m. (\$Can.388.5m.); financial institutions \$Can.823.8m. (\$Can.513.2m.).

Of company news, he reports that Kaiser Resources is committing more of its cash derived earnings in diversifying into oil and gas. The company already has a 1 per cent participation (at a cost of \$Can.5m. in 1977) in the Beaufort Sea exploration of Dome Petroleum.

Now Kaiser expects to incur \$Can.18.5m. in drilling expenditures over the next two years in return for up to a 10 per cent working interest in about 1.1m. acres of oil and gas rights surrounding Sable Island, off the east coast of Nova Scotia.

Placer Development, of Vancouver, is one of the few major Canadian mining companies able to report higher net income for 1977. This is because of a major factor: the rise in polybutene prices in international markets.

Placer is the largest Canadian producer of polybutene from its Endako mine in British Columbia. Not income last year rose to \$Can.20.2m. (\$Can.1.88 per share) from \$Can.18m. (\$Can.1.49) in 1976 when there was an extraordinary item of \$Can.3m. plus coal mining that is moving ahead. The British-owned George Wimpey Canada plans a new thermal coal operation near Stellarton, and the Crown-owned Cape Breton Development Corporation is seeking a Government green light for a \$Can.100m. development at Donkin on Cape Breton Island.

MINING BRIEFS

NORTH BROKEN HILL

Six months to 31.12.77 31.12.76

Production:	227,127	341,263
Crude ore (tonnes treated):	12,73	12,80
Lead (tonnes):	227	228
Silver (gross/tonnes):	10,62	9,54
Zinc (gross/tonnes):	37,444	38,058
Lead concentrate (tonnes):	7,774	5,167
Lead (gross/tonnes):	1,289	1,291
Lead (net/tonnes):	37,005	35,990
Market silver (kgs):	46,430	49,482
Zinc concentrate (tonnes):	39,006	42,129
Amalgam:	2,345	2,345
Zinc (per cent):	52.66	51.88
Lead grade concentrate (tonnes):	7,774	5,167
Concentrate:	3,448	2,211
Lead (tonnes):	1,440	1,440
Silver (kgs):	2,023	1,139

Financial results:

Value production:	6,600	9,800
Expenditure:	15,022	15,813
Outside exploration:	551	468
Administration:	1,345	481
Depreciation:	346	488
Profit before tax:	4,859	4,283
Estimated tax:	1,283	1,440
Estimated profit (loss):	3,576	2,843
Retained profit (loss):	1,147	54
Operations:	1,081	721
Estimated profit (loss) on:	1,081	721
Other income:	2,712	3,181
Estimated income:	2,712	3,181

KILLINGHALL Tm-January 1978

Output 985 tonnes (December 47 tonnes)

AMERICA'S W. R. Grace and Hanna Mining

have formed a partnership to mine coal near Hayden, Colorado, beginning in late-1978 with an initial output of 750,000 tons a year.

The new venture company is H-G Coal and is owned equally by Grace and Hanna. It will be operated separately from Colorado Coal, also owned equally by Grace and Hanna, which is developing a 3m. tons per year mine near Hayden, Colorado, scheduled for full production in 1980.

The H-G property will be mined by Morrison-Knudsen as contract miners with up to 80 per cent of the output having already been sold to long-term contract to Celanese Chemical for use in its plant at Pampa, Texas.

The H-G property has reserves in excess of 8m. tons of medium to low rank coal recoverable by surface mining methods.

ELECTROLYTIC ZINC—PRODUCTION STATEMENT

4 weeks ended 11.3.78 14/12/77

Production:	11,374	14,148
Crude ore (tonnes treated):	12,73	12,80
Lead (tonnes):	227	228
Silver (gross/tonnes):	10,62	9,54
Zinc (gross/tonnes):	37,444	38,058
Lead concentrate (tonnes):	7,774	5,167
Lead (gross/tonnes):	1,289	1,291
Lead (net/tonnes):	37,005	35,990
Market silver (kgs):	46,430	49,482
Zinc concentrate (tonnes):	39,006	42,129
Amalgam:	2,345	2,345
Zinc (per cent):	52.66	51.88
Lead grade concentrate (tonnes):	7,774	5,167
Concentrate:	3,448	2,211
Lead (tonnes):	1,440	1,440
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KILLINGHALL Tm-January 1978

Output 985 tonnes (December 47 tonnes)

COMPANY NOTICES

CIMENTIS LAFARGE

8½% 1971/1986 \$US20,000,000 Loan

Notice is hereby given to bondholders of the above loan that the amount redeemable on March 25, 1978 i.e. \$US950,000 was bought in the market.

Amount outstanding: \$US13,950,000.

Luxembourg, February 8, 1978.

THE TRUSTEE FLININTRUST S.A.

MOTOR CARS

THE NEW

BY CADILLAC

BY CADILLAC

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APPOINTMENTS

Chief Accountant

Nigeria

Our client is a major manufacturing company — part of an International Group and a worldwide leader in its field.

The successful candidate will be responsible for the entire accounting function at the Nigerian factory.

Applicants should be aged 30-40, qualified to ACA, ACCA or ACMA with a proven record of achievement in industry or commerce.

There will be a short training programme in the U.K. followed by a longer spell at the Company's European H.Q. before taking up the post.

A substantial salary will be paid, plus furnished accommodation, a car, free medical care and child educational assistance. In addition there is 6 weeks annual U.K. leave.

Please write with full details of qualifications and experience to Position Number ABC 885, Austin Knight Limited, Hagley House, Hagley Road, Birmingham B16 8QG.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

AK ADVERTISING

PUBLIC NOTICES

CENTRAL REGIONAL COUNCIL

£4,000,000 Bill sale 5.7.78

maturing 15.7.78 and 15.7.79 at 5.7.78

Applications to be made to the Council

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RESIDENTIAL

PROPERTY

W.2-LIBRARY 3-see, Double Reception

new £2.5 C.C.P. 11, Warts Bus Company

CRANFORD, recently rebuilt to high

standards on specially selected plots

in Cranford, 5.7.78. Applications to be made to the Council

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

SCANDINAVIAN NEWS

Slump in ASEA earnings Interest costs hit Christiania Bank

BY WILLIAM DULLFORCE

STOCKHOLM, Feb. 7.

ASEA, THE Swedish heavy electrical engineering and nuclear power group, recorded an earnings slump of more than 36 per cent, to Kr.391m. (\$84.1m.) in 1977 in spite of a 16 per cent growth in turnover to Kr.9,770m. (\$2,090m.). Currency losses accounted for over one-third of the decline and were particularly heavy on the parent company, whose pre-tax profit before extraordinary items plunged by 55 per cent, to Kr.158m., according to the preliminary figures issued today.

Group earnings after extraordinary items came out at Kr.11.1 a share, against Kr.16.40 in 1976. After reducing sharply the transfer to the inventory reserve, ASEA shows a consolidated net profit of Kr.158m., compared with Kr.156m. in the previous year. The board recommends an unchanged dividend of Kr.5 a share, which will take Kr.84.4m.

At the half-way stage ASEA reported an unexpected 25 per cent decline in profit after the management had forecast unchanged earnings at the beginning of the year. The profit slide continued through the second half, which shows earnings of Kr.138m. against Kr.202m. for the first half. The devaluation of the krona at the end of August has to be taken into account, however.

A sign of ASEA's continuing financial strength is the decline in net financial costs from Kr.103m. in Kr.47m., a reflection of the effort put into curtailing the capital tied up in stocks and claims on customers.

Against this must be weighed the drop in the order inflow, which was Kr.3,150m. last year, compared with Kr.5,550m. in 1976, and the fact that most group subsidiaries have not been able to use capacity satisfactorily. Earlier this year the management broke a long-standing employment tradition, when it opened negotiations with the unions about redundancies.

The ASEA Board, in effect, warns of a decline in sales and further earnings dip this year. Its European market is expected to remain weak, while within Sweden itself industrial investment and production will shrink again.

Even if the controversy over Swedish nuclear power policy is resolved favourably for ASEA, new orders for nuclear plants can be expected this year. The board foresees "cuts in the production apparatus" later this year.

Simultaneously with publication of the preliminary 1977 account, ASEA announced that it was paying just over Kr.24m. for the stock of Junga Verk-

stader, a Swedish family concern producing washing machines and dishwashers under the Cylinda name. The company has a turnover of Kr.125m. (\$26.9m.), of which about Kr.36m. comes from exports.

Handelsbanken lifts dividend

STOCKHOLM, Feb. 7.

SVENSKA Handelsbanken, the second of Sweden's two largest private banks to report preliminary results, increased its operating profit by 7 per cent, to Kr.582m. (\$125.2m.) in 1977. Last week, Skandinaviska Enskilda Bank reported a 2 per cent rise to Kr.6,100m. (\$1,313.3m.). Handelsbanken's earnings on the consolidated account, which includes the subsidiary finance and property companies, grew by 15 per cent, to Kr.976m. (\$215.5m.).

Earnings per share are given as Kr.54 against Kr.50 in the previous year. The board proposes a dividend of Kr.16 for each Ordinary share, which after adjustment for last year's bonus issue compares with Kr.15.31 a share in 1976. It also proposes to pay Kr.6.23 a share on the newly issued index-linked shares, making a total dividend payment of Kr.58.2m. compared with Kr.52m. in the previous year.

Heavier loss seen for Alfa Romeo

BY PAUL BETTS

ROME, Feb. 7.

ALFA ROMEO, the Italian state-controlled car manufacturing group, is expected to report substantial losses for the year which ended in December, probably higher than the previous year's £500m. (\$835m.).

Although the company declined to comment on a Rome newspaper report that Alfa Romeo lost £140m. last year, a spokesman said that the company expected to report losses for 1977 that could exceed the 1976 total.

Alfa Romeo is currently involved in protracted negotiations with the labour unions in an attempt to reach agreement on a recently needed group reorganisation plan. The major loss-making area for the group is its Alfa Sud car plant near Naples, which has been plagued by repeated labour troubles and low productivity. Although the company still intends to build a new Alfa Sud plant, it has pointed out that its future investment programme largely depends on its reorganisation plans, which in turn hinge on the negotiations with the trade unions.

Thyssen appeal turned down

BY LESLIE COLLET

THE CARTEL, Berlin, Feb. 7.

THE CARTEL, head of the Berlin Appeal Court has turned down an appeal by Thyssen Industrie AG of Essen against a decision of the Federal Cartel Office in West Berlin and the West German Economics Ministry partially dissolving a Thyssen merger which took place in 1973. In the autumn of that year, Thyssen took over the Ludwigshafen firm of Karl Hueller GmbH and formed the Hueller-Hille GmbH, which has a turnover last year of DM200m.

The Cartel Office subsequently prohibited the merger, saying that Thyssen was seeking "market domination" in a sector previously shared by medium-sized companies making automated transfer lines for the car industry.

Thyssen then sought recourse to the Federal Economics Ministry to get the merger approved, but the then Economics Minister Hans Friedrichs decided to allow Thyssen to take a 45 per cent stake in Hueller and to relinquish 55 per cent. Thyssen appealed to the Berlin Appeal Court, which has now upheld the decision of the Economics Ministry.

Thyssen now has one remaining legal avenue left, and that is to take the case to the Federal Supreme Court in Karlsruhe.

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AMERICAN NEWS

Record profits for General Motors

BY JOHN WYLES

NEW YORK, Feb. 7.

GENERAL MOTORS Corporation surpassed all previous earnings per share and dividends, but is increasingly concerned about the impact of inflation on its financial position.

At \$3,335m., net income was nearly \$1bn. higher than the previous record of 1973 when total car and truck sales were only 384,000 fewer than last year's 9,086m.

Nevertheless, the chairman of General Motors, Mr. Thomas Murphy and the president, Mr. Elliot Estes, yesterday voiced concern that inflation had reduced the company's profit margin from 10.3 per cent in 1965 to 6.2 per cent in 1976 and 6.1 per cent last year.

Specifically, GM's real net income in 1977 was only 2 per cent more than in 1973, even though 1977's real dollar sales were 13 per cent higher. Furthermore, over a longer time period, real net income in 1977 was 18 per cent below 1965 despite a 38 per cent increase in real dollar sales," said the two executives.

Total factory sales of cars and trucks in the U.S. and abroad together with other GM products brought in revenue of \$85bn. more than 16 per cent higher than the year before. Net income was 14.5 per cent up on 1976 with earnings per share increase from \$10.05 to \$11.92.

Dividends paid on common stock reached a record \$6.80 in 1977, which on last night's closing share price means a price-earnings ratio of 5 and a yield of more than 11 per cent.

Fourth quarter earnings of \$935.5m. were more than 17 per cent up on the year before and also proved a record. Worldwide factory sales reached \$2.3m. cars and trucks and dollar sales came in at \$15.1bn., nearly 18 per cent higher than the previous year.

The fourth quarter earnings are particularly interesting because they coincided with a slight softening in U.S. demand for GM cars, although commercial vehicle sales by dealers were higher than the year before.

GM's market share of U.S. domestically-produced cars stands at around 35 per cent, and the company has not yet shown a sign of climbing down from its extremely bullish forecasts about sales prospects this year. When most analysts are forecasting total passenger car sales in U.S. of between 10.5 and 11.75m., which is some 550,000 units more than last year.

AP-DJ reports from New York General Motors Acceptance Corporation said its simultaneous public offering of \$150m. notes due 1988 and \$150m. debentures due 2008 are expected to be made Thursday rather than tomorrow due to weather conditions in New York City. Tentative offerings terms will probably set late to-morrow.

Dutch take over Dillard Stores Xerox lifts quarterly payment

BY CHARLES BATCHELOR

AMSTERDAM, Feb. 7.

NEW YORK, Feb. 7.

HOLLAND'S largest retail chain, the privately-owned Vroom en Dreesman (V and D) group, today announced its second major acquisition in the U.S. within four months. V and D will acquire a total of 34 per cent of the Ordinary share capital of Dillard Department Stores Incorporated, of Little Rock, Arkansas.

In three equal annual instalments, the first tranche of 340,000 shares will be acquired at \$38.50 per share on or before April 1, 1978 with the remaining two-thirds of the purchase taking place in 1979 and 1980. V and D will then have 1,02m. shares of Dillard. Dillard operates 37 department stores in new shopping centres in the south western U.S. and the mid-West. It had turnover of \$275m. in the just-ended book year and plans to open five further stores in Texas and Oklahoma this year.

The purchase will take place through V and D's Vandemans subsidiary.

This transaction follows very quickly on the purchase of a holding of just under 20 per cent in the outlet company of Providence Rhode Island, Professor Anton Dreesmann, president of V and D, said at the time of the announcement that that deal last October that further expansion in the U.S. could be expected but it was unlikely to happen within a year.

Fruehauf to buy Netam

BY OUR OWN CORRESPONDENT

AMSTERDAM, Feb. 7.

FRUEHAUF Corporation of Fruehauf and in 1969 the Detroit plans to acquire the entire \$14.8m. share capital of the Rotterdam-based trailer and container manufacturer Netam. The American company, which is one of the largest makers of specialised transport materials, already has 35.5 per cent of Netam's ordinary stock and about half of the priority stock which is not publicly quoted, both companies said.

Contact between the two firms dates from 1969 when Fruehauf signed a licence agreement with Netam to produce and sell 400 workers.

Netam last paid \$1.5 per share for its 1974 and 1975 made a net loss of \$13.8m. on sales of \$12.1m. in 1976. It also expects to announce a loss for 1977.

Netam's shares were suspended on both sides of the American continent since the outlet company has stores between Wisconsin and the East Coast. The Dutch company had 1976 sales of \$14.4m. and net profits of \$1.6m.

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Hoffmann-La Roche in reverse

BY JOHN WICKS

ZURICH, Feb. 7.

GROUP TURNOVER of the Hoffmann-La Roche chemicals and pharmaceuticals concern should be of the order of some Sw.Frs.5.6bn. (\$2,900m.) for 1977, according to the management of parent company, F. Hoffmann-La Roche and Co. AG, as reported in the Basel daily "Basler Zeitung". This would compare with sales of Sw.Frs.5.1bn. for the previous year.

Net profit of the Swiss parent undertaking is, however, expected to be below the 1976 level of Sw.Frs.72m., profitability having been adversely affected by the sharp further increase in the Swiss franc exchange rate. Losses of potential income caused by the monetary situation are expected to be at least double those for 1976.

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Index rallies 10 on company results

FOREIGN EXCHANGES

Pound easier

BY OUR WALL STREET CORRESPONDENT

TRADE ON Wall Street was again severely restricted by the heavy snow storm which took hold of New York yesterday. However, after a delayed start, one-hour stocks staged a rally, helped by some favourable dividend and earnings reports.

The Dow Jones Industrial Average recovered 10.25 to 778.83, and the NYSE All Common Index picked up 44 cents to \$30.08, while the volume of trading rose to 412. Trading volume came to 14.75 shares, an abnormality, although an improvement on the 13.13 million total for yesterday when the market closed two hours earlier than usual because of the blizzard.

Also helping the market was news that a tentative agreement had been reached between the United Mine Workers and mine operators to end the nine-week coal strike.

Aeros rose 1.10 to \$46.10, still on the dividend increase, while Boeing, in further response to the results, added 1 to \$29.10.

TUESDAY'S ACTIVE STOCKS

Stock	Change
Howard Johnson	1.10
Yale	1.10
Yale	1.10
Yale	1.10
Yale	1.10
Yale	1.10
Yale	1.10
Yale	1.10
Yale	1.10
Yale	1.10

Indices

NEW YORK - DOW JONES

Index	Feb. 7	Feb. 8	High	Low	Change
Industrial	778.83	778.83	778.83	778.83	10.25
NYSE All Common	30.08	30.08	30.08	30.08	44
NYSE All Industrial	30.08	30.08	30.08	30.08	44
NYSE All Financial	30.08	30.08	30.08	30.08	44
NYSE All Utility	30.08	30.08	30.08	30.08	44
NYSE All Bond	30.08	30.08	30.08	30.08	44
NYSE All Foreign	30.08	30.08	30.08	30.08	44
NYSE All Energy	30.08	30.08	30.08	30.08	44
NYSE All Health	30.08	30.08	30.08	30.08	44
NYSE All Tech	30.08	30.08	30.08	30.08	44

STANDARD AND POORS

Index	Feb. 7	Feb. 8	High	Low	Change
Industrial	30.08	30.08	30.08	30.08	44
NYSE All Common	30.08	30.08	30.08	30.08	44
NYSE All Industrial	30.08	30.08	30.08	30.08	44
NYSE All Financial	30.08	30.08	30.08	30.08	44
NYSE All Utility	30.08	30.08	30.08	30.08	44
NYSE All Bond	30.08	30.08	30.08	30.08	44
NYSE All Foreign	30.08	30.08	30.08	30.08	44
NYSE All Energy	30.08	30.08	30.08	30.08	44
NYSE All Health	30.08	30.08	30.08	30.08	44
NYSE All Tech	30.08	30.08	30.08	30.08	44

OVERSEAS SHARE INFORMATION

Inv. Prem. at 52.60 to 5-78.1% (77.1%)
Effective rate Feb. 1978 31.1% (32.2%)

NEW YORK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

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Stock	Feb. 7	Feb. 8	High	Low	Change
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

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Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
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Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
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Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10
Alcoa	25.10	25.10	25.10	25.10	0.10

STOCK

Colgate Palm.....	19 3/8	19 3/8	Hutton (E. F.).....	12 1/2	12	Chicago Dodge.....	25 1/2	25 1/2
Collins Aikman.....	10 3/8	10 3/8	I. C. Indus. Res.....	24	23 7/8	Philadelphia.....	25 1/2	25 1/2
Columbia Gas.....	28	28	INA.....	36 5/8	36 3/8	Phillip Morris.....	57 1/2	57 1/2
Columbia Pet.....	18 1/8	18 1/8	Ingersoll Rand.....	57 1/2	57 1/2	Phillips Pet.....	36	36
Consolidated Am.....	12 1/2	12 1/2	Infant Steel.....	35 1/2	35	Pittsburg.....	13 1/2	13 1/2
Consolidated Gas.....	17	16 3/4	Imperial.....	13 1/2	13 1/2	Priney Bowes.....	7 1/2	7 1/2
Consolidated Equ.....	17	16 3/4	Interest Energy.....	7 1/2	7 1/2	Pioneer Ind. A.....	25 1/2	25 1/2

STOCK EXCHANGE REPORT

Gains in Gilts wiped out late by money growth fears

Equities below best in thin trade—Index up 5.6 at 463.7

Account Dealing Dates
Option
First Declared Last Account
Dealings (ions Dealings Day
Jan. 30 Feb. 10 Feb. 21
Feb. 13 Feb. 23 Feb. 24 Mar. 7
Feb. 27 Mar. 9 Mar. 21

*New time 'dealings may take place from 9.30 a.m. to 4.00 p.m. on the day of the deal. A technical rally in the market yesterday was sharply reversed in the late trade when the announcement of banks' eligible liabilities was released. These proved much worse than had been expected and led to fears of a sharp increase in the growth of money supply figures which are due to be announced next week.

Gains to a full point in the Funds were completely eliminated and quotations in inter-office dealings were still softening. Earlier optimism about the banks' figures was partly responsible for the improvement earlier in the day, and other helpful influences to all-round sentiment included Press comment pointing to good January trade returns and on the order of dividend controls after July 31 next in the absence of further legislation.

The sensitive state of the equity market was quite clearly illustrated by the jump of over five points in the FT 30-share index after the first half-hour of business. The rise was gradually extended in a thin trade, mostly bear-covering and "cheap" buying, but a rise of 7.9 at the day's best at 3 p.m. was subsequently reduced to a close of 463.7, up 5.6. This was against a loss of 11.7 over the three previous business days.

In line with recent occasions when the equity market had moved firmer, official marksmen put away and to 5.52 at 3.30 p.m. compared with 4.11 on Monday and 6.39 on Tuesday of last week. The late evening tendency failed to reach most second-line stocks and rises outnumbered falls in FT-quoted equities, by more than two-in-one, for the first time in 11 trading sessions. The same trend was seen in the broad-based FT-Actuaries indices with only one of the 46 groups, mostly sub-sections showing a loss, and the average rise was 1.1 per cent. as in the All-share index at 301.93.

Late reversal in Gilts

A good rally in British Funds was dramatically reversed after the official close yesterday following receipt of the clearing banks' latest eligible liabilities. These were interpreted as very disappointing and immediately gains, which had earlier ranged to a full point, were wiped out as stock came on offer again and quotations were protectively lowered. The net result left several high coupon bonds down, while similar losses appeared against the shorter maturities of current issues. In the morning, the market had enjoyed rises ranging from 1.1 to 2.1. A technical recovery after Marchwell at 235p, while Taylor Woodrow improved 4 to 384p, helped by bear-covering, was

accelerated by newspaper comment on next week's Trade figures and less damaging views about the authorities' handling of money supply. This week's fairly sharp rise in the rate, up from 7.5 per cent. to 8 per cent. on the latest batch of local authority yearling; bonds made no impression on sentiment. Corporations were generally unaltered, the about-turn in the main funds coming too late to affect the market, while Southern Rhodesian bonds marked time awaiting positive developments in the peace talks.

Although the overall movement in the investment currency premium was fairly modest, some good-sized institutions, business on both buying and selling account was concluded; after improving initially to 77.5 per cent., the rate eased to 76.1 per cent. before closing a net 1.1 lower at 76.0 per cent. Yesterday's 82.5 conversion factor was 0.7388 (0.7377).

Banks below best

The major clearing banks expressed late disappointment with the latest Banking figures and closed a few pence below the best. Midland were finally 2 better at 340p, after 342p, while the new bid finished 3 better at 14p premium, after 15p premium. Lloyds settled 4 up at 340p and Barclays 3 dearer at 333p, after 335p. NatWest closed bear-covering and "cheap" buying, but a rise of 7.9 at the day's best at 3 p.m. was subsequently reduced to a close of 463.7, up 5.6. This was against a loss of 11.7 over the three previous business days.

Interest in Composite Insurance was at a low ebb but prices rallied in line with the general trend. Royal Insurance, aside recent fund-raising fears and recovered 7 at 377p, while Sun Alliance improved a similar amount to 358p. Eagle Star picked up 4 to 133p and Phoenix regained 3 to 235p. General Accident rose 2 to 218p; the annual results are due on March 1. Amoy, British, Wm. Laker improved 3 to 454p and elected recognition to Press comment.

Breweries contributed firm spots in Allied, which finished 11 harder at 55p, after 54p; the group plans to consolidate its U.K. borrowings and of the stocks concerned. Harvey's of Bristol 61 per cent. Debenture 1982/87 were marked up three points to 108, while gains of ten points were established by Teacher (Distillers) 7 per cent. Loan 1979/84 and the 10 per cent. Loan 1978/82 at the common price of 235. Revised bid speculation lifted Vaux 11 to 454p and elected recognition to Press comment.

Buildings improved with the general trend. Construction issues were also helped by the National Federation of Building Trades Employers' favourable report on the industry. Richard Cantain added 3 to 239p as did Marchwell at 235p, while Taylor Woodrow improved 4 to 384p. Speculative demand prompted a

gain of 5 to 83p, after 84p, in Richards Wallington and, elsewhere, John Mowlem put on 4 at 125p. AP Cement, at 238p, retrieved 4 of the recent sharp fall which stemmed from a chart sell recommendation, while Vibro plant hardened 2 more to 144p on further consideration of the interim figures.

ICI recorded a technical improvement of 3 to 345p among quietly firm Chemicals. A nervous market recently on talk that a new Swiss drug was successfully competing with its major pharmaceutical product. Infal. Fibres picked up 5 to 385p.

GEC rally

A better trend developed in the Electrical leaders and GEC briskly traded up to 280p before settling at 237p for a net rise of 5. Thorn

pushed ahead to 292p before settling at 290p for a net gain of 7. GKN closed similarly dearer at 277p and Hawker 4 higher at 178p, but Tubes and Vickers closed only marginally better at 322p and 150p respectively.

Secondary issues recorded scattered improvements. Davy International put on 6 to 236p. Birmingham Pallet rose 5 more to 76p and Advest were 4 to the good at 244p. Benjamin Priest traded firmly at 76p, up 2, awaiting 10-day's interim results. Wanganese Brown returned to favour and rallied 3 to 11p, while gains of a similar nature were recorded in Babcock, 114p, and Denton, 135p. On the other hand, J. Saville Gordon reacted 2 to 16p on the sharp interim profits setback. Elsewhere, Ship-

builders were featured by a rise of 35 to 290p in Yarrow following demand in an extremely thin market.

Foods took a turn for the better. Northern rose 3 to 113p, while renewed investment demand lifted J. Salisbury, 170p, and Associated Dairies, 222p, by 7 or so. Renewed takeover speculation took J. Bibby up 9 to 235p, while British Sugar improved 10 to 430p after chairman's statement. Other firm spots included Associated British Foods, 2 up at 61p, and Fitch Lovell, 3 better at 62p.

Availing of today's preliminary figures, Trust Houses Forte gained 4 to 178p. Pontif's edged forward 1 to 38p following the final offer documents from formal Leisure. Also better were Prince of Wales, 105p, and Led-broke, 187p, which put on 3 and 8 respectively.

Misc. leaders better

Technical influences induced a rally in the miscellaneous industrial majors although the disappointing U.K. banking statistics caused prices to close below the best in places. Rank Organisation closed with a gain of 5 at 245p. Rediff and Colman were up to the good at 422p as were Turner and Newall at 211p; the latter's annual figures are due on March 3. Glaxo ended 4 dearer

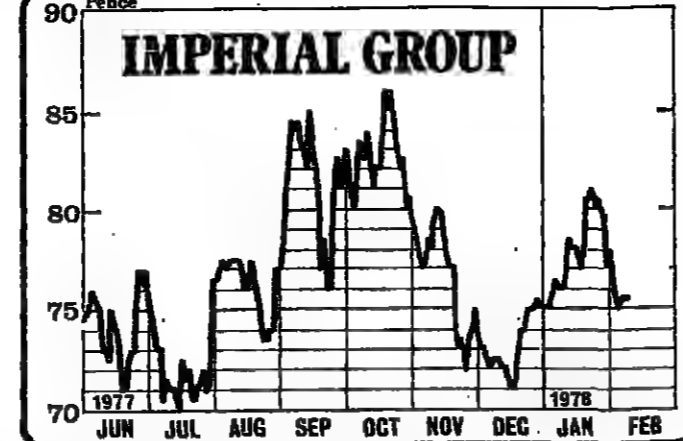
at 367p, after 570p and Boots closed 3 harder at 200p, after 201p. Reed International, however, still reacted to adverse Press mention and relinquished 2 more to 114p. Elsewhere, European Ferries encountered good support at 105p, up 4, while a revival of speculative buying lifted Avon Rubber 3 to 192p. Mams also added 5 to 76p, after 77p, for a similar reason, while ICI put on 6 at 244p as did BTR, to 234p.

Dowry featured late with a jump of 8 to 164p, after 165p, on the encouraging trading statement which accompanied interim figures pitched at the top range of market estimates. Other Motor and Distributor issues attracted a little more business and closed firmly; sentiment was helped by the announcement by Ford of its plans to boost its car production in the U.K. BSG International moved up a penny to 38p following brief trade developed in the Argyle Field, in which it has a 13 per cent. interest. Elsewhere, Roulledge and Kegan Paul revived with an impressive 7 to 130p to 165p after a Bros. hardened a penny more to 45p.

Oils active

Leading Oil shares took a distinct turn for the better after the recent quiet spell. A fairly brisk trade developed in British Petroleum which moved ahead to close at the day's best of 778p, up 18, while a useful business was also seen in Shell, 12 to the good at 489p. Elsewhere, a broker's favourable circular helped stimulate a little interest in Ultramar which put on 2 to 234p. Oil Exploration firmed 4 to 220p and Siebens (U.K.) were similarly better at 268p, while Centrol closed a few pence up at 148p.

Although not particularly active, the Property leaders continued firmly and gains of a few pence were recorded. Land Securities, 218p, and NEPC, 122p. Secondary issues made a modest recovery. Bradford picked up 4 to 234p and rises of around 3 were made by Property Holdings and Investment, 315p. Stock Conversion, 244p, and Samuel, 85p. Clarke Nickolls regained 5 to 10p, after the recent bout of profit-taking which followed news that Guinness Mahon had sold its 20.8 per cent. holding in C. Brenner Holdings. Warner Estate firmed 2 to 137p on the chairman's encouraging annual review.



Camellia Investments continued firmly, rising 15 to 225p for a two-day gain of 28p on persistent small buying in a thin market. Other Investment Trusts were better for choice following an improved trade. Claverhouse were notable for a rise of 2 to 501p following preliminary figures, while news of the financial arrangements enabled Scottish Northern to close a shade better at 85p. In Financials, however, Fashion and General fell 5 to 153p.

Lois edged forward 1 to 37p in Shippings where P & O Deferred and Ocean Transport put on 2 apiece at 106p and 127p respectively. Textiles made modest headway with Coats Patons finishing 14 harder at 69p and Lister 2-firmer at 38p.

BAT Industries featured Tobacco, but finished below the following reports of a switching operation. The Ordinary closed 5 up at 290p, after 295p, and the Deferred 8 higher at 233p, after 238p. Imps made a muted response to the preliminary figures, improving marginally to 76p before closing unaltered at 73p.

Teas were rarely worthy of mention apart from Longbourn, 250p, both of 8.

Subdued Mines

Business in mining markets was again at minimal levels as interest centred on the U.K. gilt market. South African Golds were undisturbed overall and the Gold Mines index remained static at 151.6 for the second consecutive day. The bullion price was finally 28 cents off at \$175.375 per ounce.

South African Financials were equally quiet with the exception of Union Corporation, which rose to 272p following a small demand before easing back to close 2 firmer on balance at 268p. In Platinum a selling order from the Cape caused Beshop's to give up a penny at 78p, while favourably reacting were seen in Rustenburg, 88p and Lydenburg, 38p.

Turnover in London-domiciled Financials was negligible but the firmness of the equity market saw Rio Tinto-Zinc 3 harder at 172p and Gold Fields a similar amount better at 187p. Hopes that an internal settlement to the Rhodesian constitutional problem might be imminent left Rhodesian Corporation a penny up at 21p and Wankie the same higher at 38p.

Consolidated Gold Fields Australia provided a local firm prospect in an otherwise subdued Australian section: the shares advanced 15 to 235p, in line with the sharp gain in overnight Sydney and Melbourne markets, on vague bid talk. Bega Valley was unchanged at 72p, after trading 74p, following the lower profits and dividend. Profit-taking clipped 13 from Peko-Wallaseid, 425p.

FINANCIAL TIMES STOCK INDICES

	Feb. 7	Feb. 8	Feb. 9	Feb. 10	Feb. 11	Feb. 12
Government Secs.	74.05	74.05	74.85	75.65	76.10	76.60
Price Index	76.03	76.03	76.72	79.16	79.19	79.30
In Index: Ordinary	463.7	458.1	458.7	460.5	469.8	467.0
Gold Mines	151.6	151.6	151.6	151.6	151.6	151.6
Ind. Div. Yield	6.76	6.83	6.84	6.81	6.71	6.70
Ind. Div. Yield (100/100)	17.58	17.78	17.78	17.71	17.41	17.40
Yield (100/100) (%)	8.07	7.97	7.97	8.00	8.14	8.14
Yield (100/100) (%)	5.554	6.411	6.361	6.129	6.019	6.330
Yield (100/100) (%)	68.98	67.18	66.23	66.23	66.23	66.23
Yield (100/100) (%)	15.74	12.50	13.08	13.30	13.18	13.18

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Based on 95 per cent. corporation tax. Index 1000 = 1000.00
Basis 100 Govt. Secs. 15/10/76. Fixed Ind. 1922. Ind. Div. 1977.
Index 12/9/73. SE Activity July-Dec. 1977.

HIGHS AND LOWS

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
Govt. Secs.	79.95	80.45	81.74	82.19	82.19	82.19
Price Index	81.27	80.49	80.49	80.49	80.49	80.49
Ind. Div. Yield	6.99	6.97	6.97	6.97	6.97	6.97
Yield (100/100) (%)	17.58	17.78	17.78	17.71	17.41	17.40
Yield (100/100) (%)	8.07	7.97	7.97	8.00	8.14	8.14
Yield (100/100) (%)	5.554	6.411	6.361	6.129	6.019	6.330
Yield (100/100) (%)	68.98	67.18	66.23	66.23	66.23	66.23
Yield (100/100) (%)	15.74	12.50	13.08	13.30	13.18	13.18

OPTIONS TRADED

DEALING DATES

First Deal	Last Deal	Declared	Settle	For
Feb. 7	Feb. 20	May 11	May 23	International, Shell, Lloyds, etc.
Feb. 21	Mar. 6	May 25	Jun. 7	Electronic, etc.
Mar. 7	Mar. 20	Jun. 8	Jun. 21	Minister Properties, etc.
For rate indications see end of Share Information Service.				
Money was given for the call				
of P. and O. Deferred; Town and				
City Properties; Consolidated				
Fields; Pontif's; F. and S. D.				
(U.K.); Barker and Dobson, B.P.				
Gold Fields; Woodhouse, etc.				
and Rixson, Wilkinson Match				
Fields, NatWest, etc.				
F. Sumner, KCA Drilling, J. Commercial Union.				

NEW HIGHS AND LOWS FOR 1977/78

NEW HIGHS (16)	NEW LOWS (17)
British Petroleum (1778)	British Petroleum (1778)
Shell (489)	Shell (489)
Gold Fields (187)	Gold Fields (187)
Ind. Div. Yield (6.81)	Ind. Div. Yield (6.81)
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OFFSHORE AND OVERSEAS FUNDS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

h Banks Ltd.	6 1/2	■ Hill Samuel	6 1/2
Express Bk	6 1/2	C Hoare & Co.	7 1/2
k Ltd.	6 1/2	Julian S. Hodge	7 1/2
bsbacher	6 1/2	Hongkong & Shanghai	6 1/2
Bilbao	6 1/2	Industrial, Bk of Scot.	6 1/2
redit & Cmce.	6 1/2	Keyser Ullmann	6 1/2
W.S.W.	6 1/2	Knowles & Co. Ltd.	9 1/2
olding Ltd.	6 1/2	Lloyds Bank	6 1/2
Rhine	7 1/2	London & European	8 1/2
Bank	6 1/2	London Mercantile	6 1/2
orlds Ltd.	6 1/2	Midland Bank	6 1/2
oldings Ltd.	7 1/2	■ Monteau	6 1/2
of Mid. East	6 1/2	■ Morgan Grenfell	6 1/2
impler	6 1/2	National Westminster	6 1/2
Permanent Aft.	6 1/2	Norwich General Trust	6 1/2
& C Fin. Ltd.	9 1/2	P. S. Nelson & Co.	6 1/2
dings	6 1/2	Rosenminster Accepts	6 1/2
Shenley Japhe-	8 1/2	Royal Bk. Canada Trust	6 1/2
ates	7 1/2	Schlesinger Limited	6 1/2
redit	6 1/2	S. S. Sayers & Co. Ltd.	6 1/2
ve Bank	6 1/2	Security Trust Co. Ltd.	6 1/2
Securities.	6 1/2	Shenley Trust	9 1/2
nnals	6 1/2	Standard Chartered	6 1/2
Popular Bk.	6 1/2	Trade Dev. Bank	6 1/2
rwie	6 1/2	Trustee Savings Bank	7 1/2
Com.	6 1/2	Twentieth Century Bk.	7 1/2
Fin. Corp.	6 1/2	United Bank of Kuwait	6 1/2
Secs. Ltd.	8 1/2	Whitway Ltd	7 1/2
bs	6 1/2	Wills & Telford, Syn.	6 1/2
Guaranty	6 1/2	Yorkshire Bank	6 1/2
Bank	6 1/2	■ Members of the Accepting Branches	
Bank	6 1/2	Committee.	
Bank	6 1/2	1-day deposits 7%, 3-month deposits	8 1/2.
		6 1/2.	
		1-year deposits on sum of £10,000	and under 7%.
		and over £25,000 4 1/2.	
		Call deposits over £1,000 2%.	
		Deposits under £1,000 1 1/2.	
		* Rate also applies to Savings Ind.	
		Soc.	

Fixed Interest Capital	135.06
Fixed Interest Income	123.17

erty Growth	74%
mon Assurance	41%
rough Guaranteed	7.25%

ross shown under Insurance and Property Bond Table.

We British are a peaceful people. When a war is over we like to consign it to the history books – and forget it.

But for some the wars live on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children – for them their war lives on, every day and all day.

This is where Army Benevolence steps in. With understanding. With a sense of urgency . . . and with practical, financial help.

To us it is a privilege to help these brave men—and women, too. Please will you help us to do more? We must not let our soldiers down.

The Army Benevolent Fund
for soldiers, ex-soldiers and their families in distress
Dept. FT, Duke of York's HQ, London SW3 4SP

NOTES

NOTES

Prices do not include \$ premium, except where indicated, and are in pence unless otherwise indicated. Yield: ¹ Unknown in first column allow for all buying expenses. ² Offered prices include all expenses. ³ Today's price. ⁴ Yield based on offer price. ⁵ Estimated. ⁶ Today's estimate. ⁷ Distribution free of U.K. taxes. ⁸ Periodic premium insurance plans. ⁹ Single premium insurance. ¹⁰ Offered price includes all expenses. ¹¹ Offered price includes all expenses. ¹² Offered price includes all expenses if bought through managers. ¹³ Previous day's price. ¹⁴ Net of tax on non-resident capital gains and interest. ¹⁵ Guaranteed. ¹⁶ Suspended. ¹⁷ Yield before Jersey tax. ¹⁸ Sub-division.

Ethiopians launch massive Soviet-backed offensive

BY JAMES BUXTON

ADDIS ABABA, Feb. 7.

ETHIOPIAN armed forces are making an all-out attack on Somali forces in the Ogaden region of the Horn of Africa and are advancing rapidly, a senior Government official said here tonight.

Although it is not officially described as a counter-offensive, the two-pronged attack launched about 10 days ago from the towns of Harar and Dire Dawa is the long-awaited move by the Ethiopians to recover the territory they lost last year to Somali forces, according to Mr. Baslu Girma, acting Minister of Information.

He confirmed tonight that the Somali forces had been driven back. "We are committing all our forces in the area in an all-out offensive," he said.

On Monday a member of the Derg (the ruling military council) said that Somali forces "were being routed in all directions." Reports from the Western Somali Liberation

Front, in Mogadishu, the Somali capital, spoke of Somali forces making a tactical withdrawal. However, the Ethiopian campaign is officially described as a "concerted action," because the Ethiopians regard any action on their territory as essentially defensive.

Ethiopia also wants to dispel any idea that it intends, as Somalia has repeatedly claimed, to cross into Somalia itself and demand a Somali withdrawal from the southern part of the Ogaden.

Military details are few but a key objective of the attack is to recapture the town of Jijiga, which Ethiopia lost to the Somalis last September. Mr. Baslu claimed that it could fall within days or hours.

It is believed here that superior firepower is the prime cause of the Ethiopians' military success. In the past few months the Soviet Union has carried out a large scale re-supply opera-

tion, including a major airlift for the Ethiopian armed forces. Western diplomats here believe there are at least 4,000 Russian and Cuban advisers in Ethiopia.

While most of the estimated 3,000 Cubans appear to be engaged at the front, either in the Ogaden or in the northern provinces of Eritrea and Tigray are not often seen in Addis Ababa, the Russian presence is barely concealed. There is a large Soviet communications centre consisting of a large residential area of the city.

Earlier today Second Lieutenant Ferde, a leading member of the Derg, said: "I can assure you that Ethiopia has no intention of invading Somalia." In a statement he said: "It is our obligation to defend our national integrity and our revolutionary driving the invading enemy out of our country."

"We believe all the defensive or offensive measures we take are just and proper. Ethiopia

will not, and cannot, be held responsible for the consequences."

If bloodshed was to be avoided Somali forces should withdraw immediately from Ethiopian territory, he added.

The Eastern Bloc has provided Ethiopia with a large number of tanks and artillery as well as aircraft. The arrival of between 40 and 60, according to diplomats, Soviet-made MiG has consolidated Ethiopia's total command of the air.

Although Ethiopian officials strongly deny that Cuban and Russian military personnel have been involved in combat, independent observers believe that the line dividing advice and participation is thin.

In Addis Ababa Russians are frequently seen entering and leaving the Ministry of Defence. Their communications centre is manned by men in jeans and T-shirts occasionally carrying machine guns.

Imps fall in profit and share of market

By Stuart Alexander

TOBACCO provided less than half of Imperial Group profits for the first time in the company's history, according to the results for the year ending October 31, 1977, announced yesterday.

As well as profits being down, the company's share of the British cigarette market was down by 5 per cent. During the year the total cigarette market fell by about 10 per cent, said Imperial.

A quick recovery is not expected. Mr. John Pile, chairman, said: "We must expect more problems ahead, no doubt, but these are problems we will overcome."

Group sales for 1977 were up to £3.2bn, compared with £2.86bn in 1976, but group pre-tax profits were slightly down at £129m, compared with £130m in the previous year.

The tobacco division pre-tax profits were down from £71.7m to £69.5m. Other divisions did better with food improving pre-tax profits by nearly £2m to £32.4m, and Courage brewery by £1.5m to £32.5m.

Growth to 40%

Mr. James McKinnon, finance director, said that any improvement in group profitability was due entirely to inflation rather than an increase in volume.

The fall in the tobacco division surplus stemmed mainly from lower volume sales. Mr. Tony Garrett, chairman of the tobacco division, said that Imperial had about 40 per cent of the king-size market, which had grown to about 40 per cent of the total market.

But margins had been hit by the price war. He expected this to settle down after Easter. Closing down the plant at Ardeer, Scotland, which manufactures NSM was "an option that is open to us."

However, it is thought that Imperial will continue to make cigarettes with NSM until the budget in the hope of a tax concession on substitute cigarettes.

Gallagher, which manufactures Silk Cut, and Rothmans which makes Peer Special, said last night that they intended to continue with cigarettes containing the substitute Cyrel. Both felt the market was slightly larger than estimated by Imperial.

Company news Page 18

Continued from Page 1

Pay pledge

ance in support of the counter-inflation policy. "We shall do so whenever the law and constitutional propriety permit," he said to Tory peers.

But he described as "preposterous" Conservative charges that the use of these powers had not been justified by law and that they had been applied furtively or even secretly.

His underlying argument was that the Government's first priority must remain to conquer inflation and he claimed that the year-on-year inflation rate was now down to single figures.

"The retail price index for February to be published in five weeks will confirm that we are down to single figures and that inflation is falling and will continue to fall fast," he said.

The main reason the Government had decided not to publish the names of companies on its blacklist was the damaging effect such publicity could have. Mr. Hattersley said the chairman of Sun Alliance had written to him pointing out that since the company's dispute with the Government was made public 10 per cent had been knocked off the value of its shares.

Nevertheless, the Government planned to start talks with the CBI, Chambers of Commerce and other employer organisations, so that if in their judgment the interests of affected companies would not be harmed the names on the Government blacklist would be published.

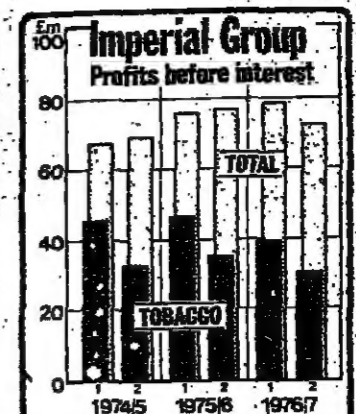
It is thought that it could go ahead with its proposal once it had registered what would be a decision of the confederations council, and supplied the necessary paperwork which would include a list of the names and addresses of all its members.

Eventually, if complaints were lodged, the confederation might have to defend itself in front of the Restrictive Practices Court to show that its action was in the public interest. But, there is a waiting list of more than a year for such cases to be heard.

THE LEX COLUMN

Market caught off guard

Index rose 5.6 to 463.7



The City was baffled and confused by the January banking figures, which carry a bleak message for the money supply. Although analysts had been growing increasingly pessimistic over the last fortnight, most had been expecting a slight fall in the banking sector's eligible liabilities, given the hefty gilt sales and the sluggish level of lending during the period. So a 1.9 per cent increase caught the gilt-edged market off-guard. Prices at the longer end of the market, after being £1 ahead, fell back sharply and closed lower on the day.

The figures themselves are not particularly revealing. The big growth has come in interest bearing eligible liabilities which are over £1bn higher, and the bulk of the increase has been concentrated among the London Clearing Banks. There are a number of possible explanations. Fears about the imposition of the corset could have encouraged the banks to bid aggressively for deposits, and they also might have over-estimated the level of loan demand during this period and increased their wholesale money in anticipation. The higher level of export financing that the banks will in future have to carry on their own books might also have had an impact.

Whatever the explanation there can be no denying that the figures are bad. Although it might not be right to draw a straight line through the figures to get a clue to next week's money supply figures, the market is now working on the assumption that sterling M3 will be around 11 per cent ahead. This will give an annualised rate of close to 14 per cent. Instead of being brought back inside the target growth band of 9 to 13 per cent, as once anticipated, the money supply figures will probably be over the top, and given the meagre gilt sales in the current banking month, which ends next week, it is hard to be hopeful about the February figures.

Given these depressing statistics the only question for the market is what price the Government Broker will start selling stock. There is no question that he will want to do so soon.

The Long tax—Exchequer 10 per cent, 1985—has not yet been operated an dits current discount of over £5, on its £30 Group profits have declined again in the first quarter of 1977-78, and the interim figures

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So profits could actual a bit higher for the year whole. And the group's an almost embarrassing balance sheet, with short borrowings of £115m, matched by its gilt-edged

to offer if he is to get his funding programme rolling once again. This week's final £320m, on Treasury 101 per cent 1999 will have helped cover some of the February funding requirement but the final call on the long tap is less than three weeks away and this will need to be taken up if the GB is to make any headway in meeting the March funding requirement.

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In particular, the tobacco side has had to cope with an industry wide fall of as much as a tenth in cigarette volume over the year, an expensive flop with synthetic brands, and a complete upheaval in the market place as a result of changes in the duty structure. Imps' share of the overall market fell 5 points to an average of about 61 per cent over the year. But against this it has successfully established a major presence in the king sized sector, which now accounts for over 40 per cent of the market compared with a single figure 18 months ago.

Imps' king sized turnover has risen tenfold in that period, and it now claims a market share of about two-fifths. But there have been heavy short term costs. Tobacco profits have fallen by 15 per cent, and for the first time this division accounts for less than half the profits total, discount of over £5, on its £30 Group profits have declined again in the first quarter of 1977-78, and the interim figures

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U.K. £100m. order for Boeing helicopters

By Michael Dannes, Aerospace Correspondent

THE U.K. is to buy 30 CH-47 Chinook medium-lift helicopters for the RAF, worth more than £100m, from Boeing Vertol, a member of the U.S. Boeing group.

Negotiations for the deal are in progress, following signing of an intent to purchase by U.K. officials on January 31 in Philadelphia.

The deal envisages deliveries to the RAF starting in 1980, and being completed the following year.

Part of the cost will be covered by offset arrangements, with U.K. companies providing the electronics equipment for the aircraft. Other forms of offset work not necessarily involving the Chinooks might be arranged.

It is understood that British Airways Helicopters is also interested in buying Chinooks for its North Sea oil operations. An order for three aircraft is likely to be placed soon.

The Chinook was originally planned for the RAF as long ago as the mid-1960s. An order placed in March, 1967, for 15 aircraft was cancelled. The RAF's need for this aircraft has not diminished, and with the recent strengthening of Warsaw Pact conventional forces, requiring increased mobility on the part of the West, the need has taken on a new urgency.

The Chinook is a twin-engine, twin-rotor helicopter, capable of lifting up to 44 troops. The U.K. does not make helicopters of this size.

Weather

CLOUDY and cold with occasional rain or drizzle. Possibly snow on hills.

London, S.E. England, E. Anglia Cloudy, occasional rain or snow. Winds E. moderate. Max. 3C (37F).

Cent. S., N.W., Cent. N. England, Midlands, Channel Is., Lakes, S.W., N.W. Scotland, Highlands Cloudy, occasional rain or drizzle, hill foz. Snow on hills. Winds S.E. moderate. Max. 4C (39F).

East, N.E. England, Borders, N.E. Scotland, Orkney and Shetland

Cloudy, hill fog and rain or snow. Wind S.E., moderate. Max. 3C (37F).

S.W. England, Wales, Is. of Man: Cloudy, hill fog and rain or drizzle. Max. 7C (45F).

Outlook: Mostly cold

BUSINESS CENTRES

	Y'day	Y'day
	mid-day	mid-day
Amsterdam	C 23	C 45
Albans	C 17	Mauchestr. F 6
Antwerp	C 15	Maliboro F 6
Barcelona	C 14	Mexico C 16
Belfast	C 43	Mexico C 14
Bombay	C 30	Maracaibo S 1
Berlin	C -3	Moscow S -1
Brahma.	C 40	Munich C -4
Buenos Aires	C 25	Neapol. S -1
Brussels	C 37	New York C 10
Buenos Aires	C 25	Orizaba C 1
B. Aires	C 54	Paris C 6
Calcutta	C 30	Perth F 28
Chile	C 15	Philad. C 1
China	Sm -9	Rienkovsk F 37
Colon	C 36	Rio de J'o S 27
Canton	C 30	Singapore C 38
Cebu	C 31	Singapore C 38
Duplin	Dr -1	Singapore C 38
Genova	C 32	Valencia C 3
Hankow	C 3	Strasbr. C 3
Helsinki	C -9	Sydney F 24
H. Kung	C 19	Sydney F 24
London	C 15	Taipei F 16
Lyons	C 15	Tokyo C 9
Lyons	C 15	Vienna S -4
Lyons	C 15	Warsaw C 3
Lyons	C 15	Yokohama C 3